

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended

30 June 2020

I am responsible for the preparation of these financial statements, which are set out on pages 1 to 103, in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs' determination in accordance with the Act.



Mr. M. George
(Master's Degree in Development Studies
ND: Cost and Management Accounting)

30 November 2020

Acting City Manager

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020**

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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020

General Information

Legal form of entity	It is a Metropolitan Municipality established in terms of section 155 of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Local Government
	The principal activities are:
	- To provide democratic and accountable government to the local communities;
	- To ensure sustainable service delivery to communities;
	- To promote social and economic development;
	- To promote a safe and healthy environment; and
	- Encourage the involvement of communities and community organisations in the matters of local government.
	The Municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 117 of 1998), the Municipal Systems Act (Act 32 of 2000) and various other acts and regulations.
Executive Mayor	Cllr T C S Buyeye (Interim)
Deputy Executive Mayor	Cllr T C S Buyeye
Speaker	Cllr B N Mafaya
Chief Whip	Cllr L Suka (Interim)
Members of the Mayoral Committee	Cllr A W Lungisa (Infrastructure and Engineering and Electricity and Energy) Cllr R Daaminds (Transport) Cllr M Feni (Corporate Services) Cllr N Q Pink (Safety and Security) Cllr M Daniels (Economic Development, Tourism and Agriculture) Cllr L Mfana (Sports, Recreation Arts and Culture) Cllr Y M Pali (Public Health) Cllr A C G Mfunda (Human Settlements) Cllr M J Mtsila (Budget and Treasury) Cllr I F Ranyele (Constituency Services) Cllr P Tshanga (MPAC)
Accounting Officer (City Manager)	M Mapu (Acting)
Chief Financial Officer (Acting CFO)	S Thys

Chief Operating Officer (COO)	M George
Chief of Staff	N Nkomane
Metro Police Chief	Y Faro
Executive Directors	N Xhego (Acting - Corporate Services) A Qaba (Economic Development, Tourism and Agriculture) N Nqwazi (Sports, Recreation, Arts and Culture) Mr P Nodwele (Acting - Public Health) N Tetyana (Acting - Human Settlements) Mr L Magalela (Electricity and Energy) EW Shaidi (Infrastructure and Engineering) K Meyer (Safety and Security)
Members of the Audit Committee	Mr G Billson (Chairperson) Ms T Cumming Mr YE Amod Mr J Neves Mr SG Zamisa
Registered Office	1 st Floor City Hall
	Govan Mbeki Avenue
	Port Elizabeth
	6001
Business Address	1 st Floor City Hall
	Govan Mbeki Avenue
	Port Elizabeth
	6001
Postal Address	P O Box 116
	Port Elizabeth
	6000
Bankers	ABSA
Auditors	Auditor-General (SA)
Physical Address of Auditors	69 Frere Road
	Vincent
	East London
	5247
Postal Address of Auditors	P O Box 13252
	East London
	5217

1. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These Consolidated Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003). In addition, these Consolidated Financial Statements include mandatory disclosures in accordance with the Municipal Finance Management Act (Act No 56 of 2003) and related regulations.

The Consolidated Financial Statements are prepared on the accrual basis of accounting and the transactions, assets and liabilities included in the financial statements are measured at historical cost unless specified otherwise.

With respect to accounting standards for material transactions, events or conditions not covered by Directive 5, the Economic Entity has developed accounting policies in accordance with paragraphs 8, 10 and 11 of GRAP 3, as read with Directive 5.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's Consolidated Financial Statements, unless explicitly stated.

New standards now effective but not yet implemented:

Standard number	Standard name	Effective date from (if applicable)
GRAP 18	Segment Reporting	01 April 2020

GRAP 18 – Segment Reporting

The objective of this standard is to establish principles for reporting financial information by segments. It is expected that adoption of this standard will result in additional disclosures.

1.1 CONSOLIDATED FINANCIAL STATEMENTS

The Economic Entity's financial statements incorporate the financial statements of the parent entity, Nelson Mandela Bay Municipality and all its municipal entities, presented as a single entity and consolidated at the same reporting date as the parent entity.

The controlled entities have the same reporting date and reporting period as the controlling entity.

All inter-entity transactions and balances, unrealised gains and losses within the Economic Entity are eliminated upon consolidation. Where appropriate, the accounting policies of controlled entities conform to the policies adopted by the Economic Entity.

1.2 MUNICIPAL ENTITIES

Municipal entities are all controlled entities over which the Economic Entity has ownership control or effective control to govern the financial and operating policies of such controlled entities to benefit from its activities.

2. PRESENTATION AND FUNCTIONAL CURRENCY

These Consolidated Financial Statements are presented in South African Rand.

The functional currency of the Economic Entity is South African Rand. Financial values are rounded to the nearest one Rand.

3. GOING CONCERN ASSUMPTION

These Consolidated Financial Statements have been prepared on a going concern basis.

4. COMPARATIVE INFORMATION

4.1 Current year comparatives (Budget):

In accordance with GRAP 1 and 24, the Budget information has been presented on the face of the Statement of Financial Performance in these Consolidated Financial Statements.

4.2 Prior year comparatives:

When the presentation or classification of items in the Consolidated Financial Statements are amended, prior period comparative amounts are reclassified and restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year and the standards require retrospective adjustment, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The nature and reasons for the reclassifications and restatements are disclosed in Note 40 to the Consolidated Financial Statements.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

STANDARDS

The following revised and newly approved Standards of GRAP have been approved and issued by the Accounting Standards Board but only become effective in the future or have not been given an effective date by the Minister of Finance. The Economic Entity has not early-adopted any new Standards or revised Standards of GRAP but has in some cases referred to them for guidance in developing appropriate accounting policies in accordance with the requirements of Directive 5: Determining the GRAP Reporting Framework.

Standard number	Standard name	Effective date (if applicable)
GRAP 34	Separate Financial Statements	No effective date
GRAP 35	Consolidated Financial Statements	No effective date
GRAP 36	Investments in Associates and Joint Ventures	No effective date
GRAP 37	Joint Arrangements	No effective date
GRAP 38	Disclosure of Interests in Other Entities	No effective date
GRAP 110	Living and Non-living Resources	No effective date

GRAP 34 - Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

GRAP 35 – Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

GRAP 36 - Investments in Associates and Joint Ventures

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity has an investment in one or more other entities. It is expected that adoption of this standard will not be significant.

GRAP 37 - Joint Arrangements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity has an investment in one or more other entities. It is expected that adoption of this standard will not be significant.

GRAP 38 - Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

GRAP 110 - Living and Non-living Resources

This standard deals with living resources that undergo biological transformation and non-living resources that occur naturally and have not been extracted. It is expected that this standard will not be applicable to the Municipality, as we are not dealing with these resources currently.

6. SIGNIFICANT JUDGEMENTS

The use of judgement, estimates and assumptions is inherent to the process of preparing consolidated financial statements. These judgements affect the amounts presented in the consolidated financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Management has made the following significant judgements:

Heritage Assets

Where an asset is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an asset is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an asset is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, the allocated deemed cost is the carrying amount of the asset given up.

Revenue from Exchange transactions

Revenue from the sale of electricity prepaid meter cards is recognised at point of sale.

Allowance for Credit losses

On Consumer Debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the estimated future cash flows based on the historical payment trend.

Other key judgements

Provisions and contingent liabilities

Management judgement is required when disclosing and measuring provisions and contingent liabilities. Provisions have been discounted where the effect of discounting is material. Refer to accounting policy Note 11.

Operating lease commitments – the Economic Entity as lessor

The Economic Entity has entered into commercial property leases on its investment property portfolio. The Economic Entity has determined that it retains all the significant risks and rewards of ownership of these properties and therefore has continued to recognise the investment properties.

Management's Going Concern Assessment:

Management considered the following matters relating to the Going Concern:

On 30 May 2019, the Council adopted the 2019/20 to 2021/22 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the on-going delivery of municipal services to residents reflected that the Budget was funded over the three-year period.

Management has thus prepared the Consolidated Financial Statements on the Going Concern basis.

7. SIGNIFICANT ESTIMATES AND ASSUMPTIONS

In the process of preparing the Economic Entity's Consolidated Financial Statements, management has made the following key estimates and assumptions:

Presentation of a comparison of budget and actual amounts

The Economic Entity presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP24. The comparison of budget and actual amounts present separately for each level of legislative oversight.

Provision for Rehabilitation of Refuse Landfill Sites

The Economic Entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost to rehabilitate the landfill sites in the future. The cost factors, as determined, have been applied and projected at an inflation rate of 2.2% (2019: 4.5%) and discounted to the present value:

- a) For Arlington and Koedoeskloof landfill sites, at the average short term borrowing cost of 11.14% (2019: 11.14%).
- b) The determined cost to rehabilitate IBhayi landfill site represents the present value.

Provision for Rehabilitation of Swartkops River

The provision is in relation to the Economic Entity's obligation to address the environmental pollution of the Swartkops River. The provision is based on the estimated costs to carry out the rehabilitation work of the wetland beside the Swartkops River, which was present valued at a rate of 11.14% (2019: 11.14%). The discount rate of 11.14% represents the Economic Entity's average borrowing costs rate and is applied as a discount rate.

Pension and other post-employment benefits

The cost of defined benefit pension plans (ex gratia pensions), other post-employment medical benefits, and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. For key assumptions, refer to Note 47 of the Consolidated Financial Statements.

Provision for gratuity pensions

Employees that were employed prior to the introduction of the Port Elizabeth Municipal Pension Benefit Fund and who subsequently joined the fund are eligible to be paid a standard gratuity, provided they have at least 10 years of service when they retire.

Employees that were employed prior to the introduction of the Port Elizabeth Municipal Pension Benefit Fund and who chose not to join the fund are eligible to be paid an Enhanced Gratuity for the years of service that they were not a member of the fund.

If an Employee eligible for a Gratuity Pension dies in service, half of the Gratuity Pension (including the monetary enhancement) as calculated at date of death, is paid.

Property, plant and equipment including Investment Properties and Intangible Assets

The useful life of assets are based on management's estimation. Management consider the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The Economic Entity maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain and thus residual values are determined to be nil for all assets.

Water inventory

The estimation of the water stock in the reservoirs are based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to accounting policy Note 17.

Amounts due to Funders of Construction Contracts

This represents the total value of unspent conditional grant funding that have been received by the Entity and which is reflected as payable to the funders of construction contracts and other capital projects.

8. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Economic Entity were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The Housing Development Fund is included as one of the reserves within Accumulated Surplus.

The housing function has now been handed over to the Housing Development Agency.

9. ACCUMULATED FUNDS

The Economic Entity maintains various internal reserves in terms of specific requirements, which include:

- Capital Replacement Reserve (CRR): Internal reserve administered within the Accumulated Surplus for control purposes
- Capitalisation Reserve (CR): Internal reserve administered within the Accumulated Surplus for control purposes
- Donations and Public Contributions Reserve: Internal reserve administered within the Accumulated Surplus for control purposes
- Self-Insurance Reserve: Internal reserve administered within the Accumulated Surplus for control purposes.
- Government Grant Reserve: Internal reserve administered within the Accumulated Surplus for control purposes.
- Compensation for Occupational Injuries and Diseases (COID) Reserve

The Economic Entity has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act, but is required to maintain a reserve of R10 million. This reserve is subject to annual review by the Commissioner.

The certificate of exemption issued by the Commissioner and as prescribed by the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993), requires that the Economic Entity deposit cash and/or securities relating to COID with the Commissioner. The combined market values shall not be less than the capitalised value of the continuing liability of the Economic Entity as at 31 December of each year.

The continuing liability is that of pensions, with the capitalised value being determined based on an actuarial determination as prescribed by the Commissioner. A COID reserve has been established to be equal to or greater than the value of the continuing liability. The Commissioner determines the market value of the securities annually and the Economic Entity is required to meet any shortfall in the aggregate value of the securities as at 31 December.

Monthly pensions are funded by allocating funds out of the COID portion of Accumulated Surplus to general Accumulated Surplus (refer to note 2).

10. EMPLOYEE BENEFITS

Recognition and measurement

Short term employee benefits

Remuneration to employees is recognised as an expense in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs.

The costs of all short-term employee benefits, such as leave pay, are recognised in the period the employee renders the related service.

Short-term employee benefits are measured on an undiscounted basis.

Short term compensated absences

The expected cost of compensated absences is recognised as follows:

Accumulating compensated absence:

When employees render services that increase their entitlement to future compensated absences;
and

Non-accumulating absences:

When absences occur.

Leave pay accrual

The liability for accumulating compensated absences is based on the total amount of leave days accumulated by employees at reporting date and on the total remuneration package of the employees.

Bonus incentive and performance related payments

The Economic Entity recognises the expected cost of performance bonus when, and only when, it has a present legal or constructive obligation to make such payments, as a result of past events and a reliable estimate of the obligation can be made.

A provision in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees is raised once the timing and amount of such provision can be reliably determined. The provision is based on the performance of each S57 employee against the performance scorecard set and agreed upon for each financial year. If on assessment of the respective S57 employees it is decided that a bonus will be paid out, the S57 employee is entitled to receive this bonus irrespective of whether they are still in the service of the Economic Entity, or not.

Post-employment benefits

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan, using the projected unit credit method. Actuarial valuations are conducted on an annual basis for each plan. In the event that an independent actuarial valuation is not performed, Management will assess whether the assumptions used in the previous valuation remain applicable. If so, the valuation will be based on the previous independent valuation. If not, an adjustment is made to take into account any changes in assumptions.

Recognition and measurement

The actuarial gains or losses are recognised in the Statement of Financial Performance in the year incurred.

The past service costs are recognised as an expense immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (further detail is available in Note 47), less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by long-term employee benefit funds or qualifying insurance policies. Plan assets are not available to the creditors of the Economic Entity nor can they be paid directly to the Economic Entity.

Fair value is based on market price information and in the case of quoted securities; it is the published bid price. It should be noted that there are currently no plan assets.

Medical Aid: Continued Members

The Economic Entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the Medical Aid Funds with which the Economic Entity is associated, a member, on retirement, is entitled to remain a continued member of such medical aid fund. Should the member opt to remain on the fund, the member is liable for the portion, as determined by Council from time to time, of the medical aid membership fee and the Economic Entity for the remaining portion.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution.

The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

The actuarial gains or losses are recognised in the Statement of Financial Performance in the year incurred. Actuarial valuations are conducted on an annual basis for each plan. In the event that an independent actuarial valuation is not performed, Management will assess whether the assumptions used in the previous valuation remain applicable. If so, the valuation will be based on the previous independent valuation. If not, an adjustment is made to take into account any changes in assumptions.

Gratuity Provision

A provision in respect of the liability relating to gratuities payable to employees that were not previously members of a pension fund, is maintained. The gratuity is payable by Council to wage earners who joined the Economic Entity before 1988. The Council decided to make gratuity payments to these employees upon retirement. The amount payable is based on the individual employee wage rate and the number of years in service until the employee joined a pension fund. The provision is determined with reference to minimum wage rate applicable immediately prior to joining the pension fund multiplied by number of years' service and adjusted annually based on the average interest earned on investments.

Long service awards

Employees who have completed 25 years unbroken service are entitled to receive a once-off cash award not exceeding R2 500. The cash award is included in the employee's salary in the month of the service anniversary.

Defined contribution plans:

The Economic Entity has used GRAP 25 as guidance for treatment of multi-employer plans as sufficient information was not available to use defined-benefit accounting. The Economic Entity has therefore accounted for the Cape Joint Pension Fund and the SALA Pension Fund as defined contribution plans. It is impracticable to disclose as a defined benefit plan because the funds do not determine a separate actuarial valuation per Economic Entity but do it as a whole for all the Municipalities together.

Retirement benefits

The Economic Entity provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions, if the fund does not hold sufficient assets to pay all employee benefits relating to

employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

11. PROVISIONS AND CONTINGENCIES

Provisions are recognised when the Economic Entity has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date (for example in the case of obligations for the rehabilitation of land). The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost. The discount rate is a pre-tax rate that reflect the current market assessments of the time value of money. No re-imbursements are expected from another party in the current financial year.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects the risk of the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that there will be an outflow of resources embodying economic benefits or service potential to settle the obligation, the provision is reversed.

Future events that may affect the amount required to settle an obligation are reflected in the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

With respect to litigation and claims against the Economic Entity, the Economic Entity's Legal Counsel assesses the list of claims against the Economic Entity on an annual basis. The Economic Entity recognises a provision for all claims/cases for which the outflow of economic resources is probable and the amount can be reliably estimated.

The Economic Entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

12. FINANCIAL INSTRUMENTS

Initial Recognition

The Municipality recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the Economic Entity becomes a party to the contractual provisions of the instrument.

The Economic Entity recognises financial assets using trade date accounting.

Distinguishing liabilities and residual interests

A financial instrument or its component parts is classified on initial recognition as a financial liability, a financial asset or residual interest in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and a residual interest.

Compound financial instruments

The Economic Entity evaluates the terms of a financial instrument to determine whether it contains both a liability and residual interest component. Such components are classified separately as financial liabilities or residual interests.

Initial Measurement of financial assets and financial liabilities

When a financial asset or financial liability is recognised initially, the Economic Entity measures it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans

The Economic Entity first assesses whether the substance of a concessionary loan meets the definition of a financial instrument. On initial recognition, the Economic Entity analyses a concessionary loan into its component parts and accounts for each component separately. The Economic Entity accounts for that part of a concessionary loan that is:

- a) A social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- b) Non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

The part of the concessionary loan that is a social benefit or non-exchange revenue is determined as the difference between the fair value of the loan and the loan proceeds, either paid or received.

After initial recognition, an entity measures concessionary loans in accordance with the subsequent measurement criteria set out for all financial instruments. Concessionary Loans were not granted or received during the current financial year. There were no defaults relating to any loans payable for the current financial year

Subsequent Measurement of financial assets and financial liabilities

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

- a) Financial instruments at fair value
 - Instruments held for trading.
 - Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
 - Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- b) Financial instruments at amortised cost
 - Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the Economic Entity designates at fair value at initial recognition or are held for trading.
- c) Financial instruments at cost
 - Investments in residual interests that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The Economic Entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Embedded derivatives were not applicable for the current financial year.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Impairment of financial assets

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The Economic Entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

The Economic Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition of financial assets:

The Economic Entity derecognises financial assets using trade date accounting.

The Economic Entity derecognises a financial asset only when:

- a) The contractual right to the cash flow from the financial asset expire, are settled or waived;
- b) The Economic Entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- c) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another party.

Derecognition of financial liabilities:

The Economic Entity derecognises a financial liability from its statement of financial position when it is extinguished, that is, when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation:

Interest, losses and gains

Interest, losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit

Offsetting a financial asset and a financial liability

The Economic Entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right to set-off exists and the parties intend to settle on a net basis or to realise the asset and settle the liability simultaneously.

Policies relating to specific financial instruments

Investments at amortised cost

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost, using effective interest method.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

Investments at fair value

Investments, which represent investments in equity for which fair value can be measured reliably, are subsequently measured at fair value. The fair value is based on market values at valuation date.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprises of cash on hand and deposits held on call with banks.

Trade and other receivables including Statutory Receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. Amounts that are receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Bad debts are written off in the year in which they are identified as irrecoverable, subject to the approval of the Council.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest method.

13. PROPERTY, PLANT AND EQUIPMENT

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, other than investment property, or for administrative purposes and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Economic Entity and the cost or fair value of the item can be measured reliably.

There are no circumstances, which we are aware of, where NMBM is not the legal owner / custodian but controls the land and vice versa.

Measurement at recognition

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. Where an asset is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Economic Entity. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an item of property, plant and equipment is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an item of property, plant and equipment is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, the allocated deemed cost is the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Economic Entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with a specific item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment (other than land) are measured at cost less accumulated depreciation and impairment losses.

Subsequent to initial recognition, land is measured at cost and is not depreciated because it has an indefinite useful life.

Where the Economic Entity replaces parts of an asset, it derecognises the part of the asset replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Depreciation

Depreciation is calculated on the depreciable amount, using the net book value over the remaining useful life of the component assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The component assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in estimate in accordance with the standard of GRAP on accounting policies, changes in accounting estimates and errors.

The depreciation charge for each reporting period is recognised in surplus or deficit, unless it is included in the carrying amount of another asset.

The annual depreciation rates for the current and previous year are based on the following average asset useful lives:

Land & Buildings	Useful Life Range in Years
Buildings / Leasehold Assets	5 - 50
Land	Indefinite Life
Infrastructure Assets	Useful Life Range in Years
Fencing, Roads, Sidewalks & Stormwater Networks	5 – 100
Beach Developments	30 – 50
Electricity Reticulation & Supply	10 – 80
Sewerage Mains & Purification Works	15 – 80
Waste Disposal Facilities	20 – 100
Water Supply & Reticulation	10 – 50
Dams & Treatment Works	25 – 100
Other Assets	Useful Life Range in Years
Bins & Containers	5 – 15
Air Monitoring, Emergency & Medical Equipment	5 – 20
Vehicles & Plant	4 – 30
Office Furniture & Fittings	3 – 20
Landfill Sites	50
Security Systems	5 – 15
Tip Sites	30
Computer Hardware	3 – 8
Community Assets	Useful Life Range in Years
Libraries	15 – 50
Fire Stations	15 – 50
Library Books	5 – 20

Cemeteries	15 – 50
Clinics	15 – 50
Community Centres	15 – 50
Public Conveniences	15 – 50
Swimming Pools	15 – 50
Recreational Facilities	15 – 50
Selling & Letting Schemes	15 – 50

Impairment:

Recognition and measurement of an impairment loss for an item of property, plant and equipment

An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

The carrying amount of an asset is reduced to its recoverable amount if, and only if, its recoverable amount is less than its carrying amount.

The impairment loss is recognised immediately in surplus and deficit.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance. Residual values are assumed to be zero, unless otherwise stated.

14. HERITAGE ASSETS

Initial recognition and measurement

Heritage assets are assets that have cultural, historical, environmental, natural, scientific or technological significance that are held indefinitely for the benefit of present and future generations.

Heritage assets are recognised when it is probable that future economic benefits or service potential associated with the item will flow to the Economic Entity and the cost or fair value of the item can be measured reliably.

When an asset, does not meet the initial recognition criteria of a heritage asset, the Economic Entity discloses the relevant and useful information about such assets in the notes to the financial statements.

Heritage assets are initially recognised at cost on acquisition date.

The cost is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Economic Entity.

Where an asset is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an asset is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an asset is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, the allocated deemed cost is the carrying amount of the asset given up.

Subsequent measurement

Subsequent to initial recognition, the Economic Entity uses the cost model to measure its heritage assets.

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

The entire heritage assets disclosed are being used as a heritage asset. No initial costs incurred to assess the heritage asset. No compensation is due for Heritage Assets impaired, lost or given up.

The table below reflects the class of heritage assets and the estimated useful life range in years:

Heritage Sites	Useful Life Range in Years
Memorials & Statues	Indefinite Life
Heritage Sites	Indefinite Life
Museums	Indefinite Life
Art Works	Indefinite Life
Collections of rare books and manuscripts	Indefinite Life

Impairment

The Economic Entity does not depreciate its heritage assets, but at each financial year end, it assesses whether there is an indication that the assets may be impaired. If such an indication exists, the Economic Entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

15. INTANGIBLE ASSETS

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The Economic Entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Economic Entity and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), its initial cost at the date of acquisition is measured at its fair value as the date of acquisition.

Intangible assets acquired through non-exchange transactions:

Internally generated intangible assets:

Research phase

The Economic Entity does not recognise any intangible asset arising from a research phase of an internal project. Expenditure on research phase of an internal project is recognised as an expense when incurred. No research and development expenditure was recognised as an expense during the period.

Development phase

An intangible asset arising from development phase is recognised if, and only if the Economic Entity can demonstrate all of the following:

- a) The technical feasibility of completing the intangible asset so it will be available for use or resale;
- b) Its intention to complete the intangible asset and use it or sell it;
- c) Its ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits or service potential;
- e) The availability of technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Exchanges of assets

The cost of an intangible asset acquired in exchange for another is measured at fair value unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairment losses.

The cost of an intangible asset is amortised over its useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, and whenever there is an indication that the intangible asset may be impaired, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The probability of expected future economic benefits or serviced potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset are assessed at each reporting date.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Amortisation and impairment

Amortisation is charged to write off the net book value of intangible assets over their remaining useful lives. Amortisation of an asset begins when it is available for use.

The annual amortisation rates are based on the following estimated average asset useful lives:

Intangible	Useful Life Range in Years
Computer Software	3 – 5
Website Development	3 – 5

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

16. INVESTMENT PROPERTY

Initial recognition and measurement

Investment property includes property (land or a building or part of a building or both land or buildings held by owner or by a lessee under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services or the sale of an asset in the ordinary course of operations.

Investment property is initially recognised as an asset when, and only when, it is probable that future economic benefits and or service potential will flow to the Economic Entity and the cost or fair value can be measured reliably.

At initial recognition, the Economic Entity measures investment property at cost including transaction costs once it meets the definition of investment property.

Where an investment property was acquired through a non-exchange transaction (i.e. where the Economic Entity acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. If owner occupied property becomes an investment property, the Economic Entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. If investment property becomes owner-occupied property, the Economic Entity accounts for such property in accordance with the policy stated under investment property up to the date of change in use. The costs of day-to-day servicing of investment properties are recognised in the Statement of Financial Performance as incurred.

There are no circumstances, which we are aware of, where NMBM is not the legal owner / custodian but controls the land and vice versa.

Subsequent measurement

Investment property is measured using the cost model. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation begins when the asset is available for use. Depreciation is calculated on the depreciable amount, using the net book value over the remaining useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment Property	Useful Life Range in Years
Land Buildings	Indefinite Life 15 - 50

The investment property's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year-end.

Land is not depreciated.

Fair Value

The assumptions for determining the fair value of the investment property is set out in Note 12 of the Consolidated Financial Statements.

Derecognition

Investment property is derecognised when it is disposed of or when no future economic benefits or service potential are to be derived from the use of the asset. All gains or losses from the disposal of investment property are determined as the difference between the sales proceeds and the carrying value of the asset and are recognised in the Statement of Financial Performance.

17. INVENTORIES

Initial recognition and measurement

Inventories comprise assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes (other than VAT), transport costs and any other direct costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, water and finished goods (FG), are measured at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is first-in, first-out (FIFO) method for all inventory categories except water. Water is measured on the weighted average method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

An impairment provision for the write down of inventory is maintained in lieu of obsolete inventory. The level of the impairment provision for obsolete inventory is the value equivalent to the value of inventory assessed as obsolete at financial year-end.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The Economic Entity purchases its water. The cost of water purchased and not yet sold as reflected in the statement of financial position comprises the purchase price and other direct costs attributable to the acquisition. The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determine the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. There are no items not ordinarily inter-changeable / segregated for specific projects.

18. IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Recognition

The Economic Entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where any such indication exists, the Economic Entity estimates the recoverable service amount of the asset. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount). An asset's recoverable amount (or recoverable service amount) is the higher of the fair value less costs to sell, and the value-in-use of the asset.

The Economic Entity classifies the asset/identifiable group of assets as cash-generating if the key purpose of such asset/group of assets is to derive a commercial return from continuing use, and are independent of the cash inflows from other assets or groups of assets. The Economic Entity will classify all other assets that do not meet the definition of cash-generating assets/group of assets as non-cash generating assets.

Measurement

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash-generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash-generating unit.

An asset is part of a cash-generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets, the value in use is determined as a function of the discounted future cash flows from the asset.

Where the asset is a non-cash generating asset, the value in use is determined through one of the following approaches:

- Depreciated replacement cost approach: The current replacement cost of the asset is used as the basis for this value. This current replacement cost is depreciated for a period equal to the period that the asset has been in use so that the final depreciated replacement cost is representative of the age of the asset.
- Restoration cost approach: The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.
- Service units approach: The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before

impairment, to conform to the reduced number of service units expected from the asset in its impaired state.

The decision as to which approach to use is dependent on the nature of the identified impairment.

In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Economic Entity makes an estimate of the assets or cash-generating unit's recoverable amount.

Reversal of impairment losses

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

The reversal of an impairment loss for an asset is recognised immediately in the Statement of Financial Performance.

19. REVENUE

19.1 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrues to the Economic Entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

The recognition criteria is usually applied separately to each transaction

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits or service potential associated with the transaction will flow to the Economic Entity;
- (c) the stage of completion of the transaction at the reporting date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- (a) the Economic Entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;

- (b) the Economic Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits or service potential associated with the transaction will flow to the Economic Entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Specific exchange-revenue sources

Service charges relating to electricity, water and sewerage are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read and the related revenue adjustment is recognised in the same period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at point of sale.

Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied monthly based on the costs of providing the refuse removal service.

Rental income arising from the use of investment properties, facilities and equipment is accounted for on a straight-line basis over the lease term on on-going leases.

Revenue from the issue of permits and licenses is recognised at point and time of issue.

Interest income is recognised in surplus or deficit on a time proportionate basis, using the effective interest method (i.e. based on the effective interest rate of the individual investments).

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated to the fund concerned; and
- Interest earned on unutilised conditional grants is allocated to the creditor (i.e. recognised as an obligation), if grant conditions indicate that interest is payable to the funder.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable.

The Economic Entity has an obligation in terms of legislation to collect all revenue and as such, the Economic Entity does not consider the collective collectability of the revenue on initial recognition on a portfolio basis. The Economic Entity assesses collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss is recognised as an expense.

19.2 Revenue from Non-Exchange Transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a Economic Entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition of revenue

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Recognition of assets

An inflow of resources from a non-exchange transaction that meets the definition of an asset is recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Economic Entity and the fair value of the asset can be measured reliably. The asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Specific non-exchange-revenue sources

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines are recognised when it is probable that future economic benefits will flow to the Economic Entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information received from the courts, it is not possible to measure this revenue in the invoicing period, therefore an accrual is raised at the end of the financial year based on the average collection of fines throughout the year.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualify for recognition and first becomes available for use by the Economic Entity. Where public contributions have been received but the Economic Entity has not met the related conditions that would entitle it to the revenue, a liability is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualify for recognition and first becomes available for use by the Economic Entity.

Fuel levy is recognised in revenue when the income is received.

Grants, transfers or donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is no corresponding liability in respect of related conditions. Where the grant, transfer or donation has been received but the Economic Entity has not met the related conditions that would entitle it to the revenue, a liability is recognised.

Measurement of revenue from non-exchange transactions

Revenue from a non-exchange transaction shall be measured at the amount of the increase in net assets, recognised by the entity.

Fines

Assets arising from fines are measured at the best estimate of the inflow of resources to the Economic Entity.

Bequests

Bequests are measured at the fair value of the resources received or receivable.

Gifts and donations

On initial recognition, gifts and donations are measured at their fair value as at the date of acquisition, which may be ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession that holds a recognised and relevant professional qualification.

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met. Therefore the best estimate of the amount required to settle the present obligation at the reporting date will be recognised as a liability.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

The Economic Entity has an obligation in terms of legislation to collect all revenue and as such, the Economic Entity does not consider the collective collectability of the revenue on initial recognition on a portfolio basis. The Economic Entity assesses collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss is recognised as an expense.

Expenditure from Non-exchange Transactions

The accounting policy for expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

Expenditure from non-exchange transactions is recognised when the resources have been transferred to the beneficiaries. A corresponding asset is raised to the extent that conditions attached to the expenditure have not been met. The asset is transferred to the Statement of Financial Performance once the conditions are met.

20. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Economic Entity ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred are recognised as an expense in the Statement of Financial Performance using the effective interest method.

21. LEASES

Leases in the financial statements of lessees

Operating leases

Recognition

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. Lease payments under an operating lease are recognised as an expense in the statement of financial performance, on a straight line basis over the lease term. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be.

Measurement

The resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Derecognition

The operating lease liability is derecognised when the Economic Entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the Economic Entity no longer anticipates economic benefits to flow from the asset.

Leases – Economic Entity as lessor

Operating leases

The Economic Entity presents assets subject to operating leases in its Statement of Financial Position according to the nature of the asset.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred by the Economic Entity in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as expenses over the lease term on the same basis as the lease revenue.

The depreciation policy for depreciable leased assets is consistent with the Economic Entity's normal depreciation policy for similar assets, and depreciation is calculated in accordance with the Standards of GRAP on Property, Plant and Equipment and Intangible Assets.

Recognition

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, on a straight-line basis over the lease period.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Derecognition

Operating lease liabilities are derecognised when the Economic Entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the Economic Entity's right to the underlying cash flows expire or the Economic Entity no longer expects economic benefits to flow from the operating lease asset.

22. REPORTING FOREIGN CURRENCY TRANSACTIONS IN THE FUNCTIONAL CURRENCY

Initial recognition

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Reporting at subsequent reporting dates

At each reporting date:

- (a) foreign currency monetary items shall be translated using the closing rate;
- (b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and
- (c) non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

Recognition of exchange differences

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in surplus or deficit in the period in which they arise,

23. VALUE ADDED TAX (VAT)

The Economic Entity accounts for Value Added Tax on the payments basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT refundable from or payable to, the taxation authority is disclosed on the face of the statement of financial position.

24. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Economic Entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part

of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Economic Entity's Supply Chain Management Policy. Irregular expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

27. RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery thereof from the responsible officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income.

28. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

Common Control

For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

The Economic Entity uses the acquisition method in accounting for transactions relating to transfer of functions, between entities not under common control.

Applying the acquisition method requires:

- a) Identifying the acquirer.
- b) Determining the acquisition date.
- c) Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.
- d) Recognising the difference between (c) and the consideration transferred to the seller.

The acquisition date is the date on which the acquirer obtains control of the acquiree.

Economic Entity as the acquirer:

At acquisition date, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree shall be recognised if:

- a) The assets taken on and the liabilities assumed meets the definitions of an asset and liability as set out in the Framework for the Preparation and Presentation of Financial Statements.
- b) These assets and liabilities relate to the binding agreement between the parties to the transaction and may not relate to separate transactions.

Assets and liabilities not previously recognised by the acquiree will be recognised if these assets and liabilities now meet the recognition criteria (for example internal generated intangible assets not previously recognised).

The acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

29. EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Consolidated Financial Statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- Those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Adjusting events after reporting date

The Economic Entity adjusts the amounts recognised in the Consolidated Financial Statements to reflect adjusting events after the reporting date

Non-adjusting events after the reporting date

The Economic Entity does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. The Economic Entity discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Consolidated Financial Statements.

30. RELATED PARTIES

The Economic Entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the Economic Entity and one or more related parties, and those transactions were not within:

- Normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the Economic Entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- Terms and conditions within the normal operating parameters established by the Economic Entity's legal mandate,

Further details about those transactions are disclosed in the notes to the financial statements.

31. PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

Presentation of a comparison of budget and actual amounts

The Economic Entity presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as additional budget columns in the financial statements currently

presented in accordance with Standards of GRAP24. The comparison of budget and actual amounts present separately for each level of legislative oversight:

- (a) the approved and final budget amounts;
- (b) the actual amounts on a comparable basis; and
- (c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts.

Presentation and disclosure

The Economic Entity presents a comparison of budget and actual amounts as additional budget columns in the primary financial statements because the financial statements and the budget are prepared on a comparable basis.

Changes from approved to final budget

The Economic Entity presents an explanation of whether changes between the approved and final budget are a consequence of reallocations within the budget or of other factors:

- (b) in a report issued before, at the same time as, or in conjunction with the financial statements, and shall include a cross reference to the report in the notes to the financial statements.

Comparable basis

All comparisons of budget and actual amounts are presented on a comparable basis to the budget.

The Economic Entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the Economic Entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. Comparative information is not required.

32. COMMITMENTS

Items are classified as commitments when the Economic Entity has committed itself to future transactions that will normally result in an outflow of cash.

Disclosure is done to the extent that it has not already been recognised elsewhere in the financial statements.

Capital commitments are treated as follows:

- The aggregate amount of capital expenditure contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements; and
- If a commitment is for a period longer than a year.

Commitments are disclosed in the following circumstances:

- Unrecorded capital expenditure approved and contracted for before/at reporting date;

- Unrecorded capital expenditure approved but not yet contracted for at reporting date; and
- Unrecorded capital expenditure approved after reporting date.

33. GRANTS-IN-AID

The Economic Entity transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Economic Entity does not:

- Receive any goods or services directly in return as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period in which the events giving rise to the transfer occurred.

34. IMPAIRMENT

Impairment of cash generating units:

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

- (a) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- (b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- (c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

- (d) Evidence is available of obsolescence or physical damage of an asset.
- (e) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- (f) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (g) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Impairment of non-cash generating units:

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

- (a) Cessation, or near cessation, of the demand or need for services provided by the asset.
- (b) Significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates.

Internal sources of information

- (c) Evidence is available of physical damage of an asset.
- (d) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in

which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

- (e) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (f) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

35. CONSTRUCTION CONTRACTS

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of the contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable to be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date exceed capital grants received, the surplus is shown as amounts due from funders for contract work. For contracts where capital grants received exceed contract costs incurred to date, the surplus is shown as the amounts due to funders for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as unspent project funding received. Amounts billed for work performed but not yet paid by the funder are included in the statement of financial position under trade and other receivables.

Unutilised project funding is reflected on the Statement of Financial Position as a Current Liability - Unspent Project Funding. The cash received is invested until it is utilised.

36. PRINCIPLE AGENT TRANSACTIONS

MBDA was appointed by its parent municipality NMBM to act as its agent in the management of the NMB Stadium operations. As part of its custodial responsibilities the agency is responsible for the total operations in terms of event, financial and risk management, and to ensure that this facility becomes more sustainable over the longer term.

NMBM, however incorporates all revenue and expenditure of the NMB Stadium in the books of NMBM.

37. SERVICE CONCESSION ARRANGEMENTS

No service concession arrangements have been entered into.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

ECONOMIC ENTITY

MUNICIPALITY

	Note	Actual 2020 R	Restated 2019 R	Actual 2020 R	Restated 2019 R
NET ASSETS AND LIABILITIES					
Net Assets					
Total Accumulated Funds		18 219 656 668	17 228 667 644	18 196 305 742	17 207 356 716
Non-current Liabilities					
		3 268 891 142	3 639 345 384	3 268 806 435	3 637 506 622
Long-term Liabilities	3	1 016 456 460	1 118 615 583	1 016 371 753	1 116 776 821
Non-current Provisions - Employee Benefits	4.1	1 820 657 249	2 041 991 000	1 820 657 249	2 041 991 000
Non-current Provisions - Other	4.2	431 777 433	478 738 801	431 777 433	478 738 801
Current Liabilities					
		3 215 985 182	3 059 046 067	3 170 140 355	3 023 330 816
Current Provisions - Employee Benefits	5.1	178 827 593	177 115 647	177 389 605	175 963 570
Current Provisions - Other	5.2	3 275 000	82 002	3 275 000	82 002
Consumer Deposits	6	156 387 079	153 373 601	156 387 079	153 373 601
Trade and Other Payables	7	1 889 693 397	2 275 534 809	1 853 593 475	2 243 514 682
Transfers and Subsidies	7	734 461 768	297 804 563	729 406 019	295 261 516
VAT	8	154 197 436	65 476 944	150 946 268	65 476 944
Current Portion of Long-term Liabilities	3	99 142 909	89 658 501	99 142 909	89 658 501
Total Net Assets and Liabilities		24 704 532 992	23 927 059 095	24 635 252 532	23 868 194 154
ASSETS					
Non-current Assets					
		17 889 069 254	18 274 954 773	17 868 142 493	18 255 832 565
Property, Plant and Equipment (PPE)	9	17 298 311 936	17 381 859 342	17 277 947 726	17 363 059 348
Heritage Assets	10	211 314 988	217 408 292	211 064 488	217 157 792
Intangible Assets	11	161 210 959	368 664 994	160 898 908	368 593 280
Investment Property	12	165 087 542	216 825 522	165 087 542	216 825 522
Long-term Receivables - Exchange Transactions	13	33 754 038	60 508 659	33 754 038	60 508 659
Long-term Receivables - Non-exchange Transactions	13	19 389 791	29 687 964	19 389 791	29 687 964
Current Assets					
		6 815 463 738	5 652 104 322	6 767 110 039	5 612 361 589
Inventory	14	154 163 846	133 005 498	154 015 248	132 843 468
Trade Receivables - Exchange Transactions	15	1 908 793 060	1 628 698 450	1 908 793 060	1 628 698 450
Trade Receivables - Non-exchange Transactions	15	393 364 022	247 536 983	393 364 022	247 536 983
Other Receivables - Non-exchange Transactions	16	2 100	159 158	0	0
Other Receivables - Exchange Transactions	16	1 094 931 550	422 524 040	1 090 562 828	401 069 457
VAT	8	0	7 369 476	0	0
Call Deposits and Investments	17	2 309 903 834	3 009 413 994	2 309 903 834	3 009 413 994
Call Deposits and Investments - Other	18	2 411 766	3 198 229	2 411 766	3 198 229
Bank Balances and Cash	19	951 893 560	200 198 494	908 059 281	189 601 008
Total Assets		24 704 532 992	23 927 059 095	24 635 252 532	23 868 194 154

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020

Restated 2019 R			Actual 2020 R	Approved Original Budget 2020 R	Adjustments 2020 R	Approved Final Budget 2020 R	Variance between Final Budget and Actual R	%	No.
REVENUE									
Exchange revenue									
5 266 985 306	Service Charges	21.1	5 798 795 443	5 995 605 259	67 636 158	6 063 241 417	264 445 974	4%	1
208 830 372	Interest earned - External Investments		233 799 306	113 115 879	47 878 211	160 994 090	(72 805 216)	-45%	2
142 208 489	Interest raised - Outstanding Debtors		146 113 155	201 619 640	0	201 619 640	55 506 485	28%	3
20 662 183	Licences and Permits		15 130 794	21 353 610	0	21 353 610	6 222 816	29%	4
33 158 557	Rental of Facilities and Equipment	23.1	22 974 466	36 797 430	370 000	37 167 430	14 192 964	38%	5
3 153 626	Income for Agency Services		3 546 008	3 094 510	0	3 094 510	(451 498)	-15%	6
132 046 488	Other Revenue	23.2	103 308 269	166 175 220	9 708 330	175 883 550	72 575 281	41%	7
0	Gain on disposal of Property Plant and Equipment		0	500 000	0	500 000	500 000	0%	
Non-exchange revenue									
2 127 308 440	Property Rates	20	2 363 371 331	2 353 508 050	250 170	2 353 758 220	(9 613 111)	0%	
92 409 729	Interest raised - Outstanding Debtors		108 846 103	90 100 030	0	90 100 030	(18 746 073)	-21%	3
114 048	Interest - SARS		0	0	0	0	0	0%	
216 026 862	Fines, Penalties and Forfeits	21.2	224 357 770	253 517 250	(37 227 070)	216 290 180	(8 067 590)	-4%	
3 122 873 755	Transfers and Subsidies	22	2 647 521 609	2 030 336 439	155 290 251	2 185 626 690	(461 894 919)	-21%	8
2 831	Licences and Permits		1 062	0	0	0	(1 062)	0%	
11 365 780 686	Total Revenue		11 667 765 316	11 265 723 317	243 906 050	11 509 629 367	(158 135 949)		
EXPENDITURE									
3 243 638 681	Employee Related Costs	24	3 114 785 197	3 660 092 349	(179 766 273)	3 480 326 076	365 540 879	11%	9
74 229 126	Remuneration of Councillors	25	76 474 313	80 438 940	1 117 900	81 556 840	5 082 527	6%	
630 223 038	Debt Impairment - Receivables	26	1 138 339 274	442 765 570	835 519 693	1 278 285 263	139 945 989	11%	10
128 886 451	Debt Impairment - Other	26	78 371 200	166 177 330	(37 290 870)	128 886 460	50 515 260	39%	11
469 812	Debt Impairment - MBDA	26	495 015	0	0	0	(495 015)	0%	
139 539 533	Finance Charges	27	124 824 808	173 360 580	(33 998 940)	139 361 640	14 536 832	10%	
3 229 034 742	Bulk Purchases	28	3 511 404 955	3 555 290 420	3 571 036	3 558 861 456	47 456 501	1%	
50 416 165	Transfers and Subsidies	29	32 754 512	77 062 450	(3 464 833)	73 597 617	40 843 105	55%	12
1 017 592 428	Contracted Services	30.1	647 259 862	1 242 488 919	(50 754 877)	1 191 734 042	544 474 180	46%	13
515 462 147	Other Expenditure	30.2	568 020 695	642 683 177	9 685 982	652 369 159	84 348 464	13%	14
159 049 641	Other Materials	30.3	205 739 802	217 245 130	112 093 352	329 338 482	123 598 680	38%	15
882 390 640	Depreciation	31.1	958 299 541	614 541 199	125 115 848	739 657 047	(434 898 034)	-59%	16
90 833 288	Amortisation	31.2	113 717 663	0	0	0	0		
1 190 151	Loss on Disposal of Property Plant and Equipment	35.8	0	0	0	0	0		
15 820 657	Impairment	35.7	102 537 877	0	0	0	0		
10 178 776 500	Total Expenditure		10 673 024 714	10 872 146 064	781 828 018	11 653 974 082	980 949 368		
1 187 004 186	Surplus for the year		994 740 602	393 577 253	(537 921 968)	(144 344 715)	(1 139 085 317)		

Refer to Note 53 of the Financial Statements for explanation of variances

(Please note: SURPLUS for the year R994 740 602 less Transfers and Subsidies - Capital R837 598 030 = True SURPLUS for the year in the amount of R 157 142 572)

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020

Restated 2019 R			Actual 2020 R	Approved Original Budget 2020 R	Adjustments 2020 R	Approved Final Budget 2020 R	Variance between Final Budget and Actual R	%	No.
REVENUE									
Exchange revenue									
5 268 039 527	Service Charges	21.1	5 800 528 569	5 994 581 840	68 509 158	6 063 090 998	262 562 429	4%	1
206 374 035	Interest earned - External Investments		231 783 566	110 792 460	48 701 630	159 494 090	(72 289 476)	-45%	2
142 208 489	Interest raised - Outstanding Debtors		146 113 155	201 619 640	0	201 619 640	55 506 485	28%	3
20 662 183	Licences and Permits		15 130 794	21 353 610	0	21 353 610	6 222 816	29%	4
33 158 557	Rental of Facilities and Equipment	23.1	22 974 466	36 497 430	0	36 497 430	13 522 964	37%	5
3 153 626	Income for Agency Services		3 546 008	3 094 510	0	3 094 510	(451 498)	-15%	6
129 189 109	Other Revenue	23.2	100 824 769	166 175 220	8 835 330	175 010 550	74 185 781	42%	7
0	Gain on disposal of Property Plant and Equipment		0	500 000	0	500 000	500 000	0%	
Non-exchange revenue									
2 127 308 440	Property Rates	20	2 363 371 331	2 353 508 050	250 170	2 353 758 220	(9 613 111)	0%	
92 409 729	Interest raised - Outstanding Debtors		108 846 103	90 100 030	0	90 100 030	(18 746 073)	-21%	3
114 048	Interest - SARS		0						
216 026 862	Fines, Penalties and Forfeits	21.2	224 357 770	253 517 250	(37 227 070)	216 290 180	(8 067 590)	-4%	
3 120 419 760	Transfers and Subsidies	22	2 620 511 140	3 088 435 800	192 180 314	3 280 616 114	660 104 974	20%	8
2 831	Licences and Permits		1 062		0	0	(1 062)	0%	
11 359 067 196	Total Revenue		11 637 988 733	12 320 175 840	281 249 532	12 601 425 372	963 436 639		
EXPENDITURE									
3 213 145 886	Employee Related Costs	24	3 078 019 654	3 622 172 310	(182 581 010)	3 439 591 300	361 571 646	11%	9
74 229 126	Remuneration of Councillors	25	76 474 313	79 227 890	1 084 900	80 312 790	3 838 477	5%	
630 223 038	Debt Impairment - Receivables	26	1 138 339 274	442 700 910	835 584 353	1 278 285 263	139 945 989	11%	10
128 886 451	Debt Impairment - Other	26	78 371 200	166 177 330	(37 290 870)	128 886 460	50 515 260	39%	11
139 539 533	Finance Charges	27	124 824 808	173 360 580	(33 998 940)	139 361 640	14 536 832	10%	
3 229 034 742	Bulk Purchases	28	3 511 404 955	3 555 290 420	3 571 036	3 558 861 456	47 456 501	1%	
162 781 130	Transfers and Subsidies	29	118 743 200	177 062 450	3 535 167	180 597 617	61 854 417	34%	12
1 005 190 767	Contracted Services	30.1	633 604 773	1 233 316 650	(51 554 140)	1 181 762 510	548 157 737	46%	13
447 521 140	Other Expenditure	30.2	506 323 813	614 285 980	(2 923 381)	611 362 599	105 038 786	17%	14
159 049 641	Other Materials	30.3	205 739 802	217 245 130	112 093 352	329 338 482	123 598 680	38%	15
881 678 588	Depreciation	31.1	957 211 505	613 686 050	125 000 000	738 686 050	(434 756 287)	-59%	16
90 814 045	Amortisation	31.2	113 692 955	0	0	0	0		
15 820 657	Impairment	35.7	102 537 877	0	0	0	0		
1 188 260	Loss on Disposal of Property Plant and Equipment	35.8	0	0	0	0	0		
10 179 103 004	Total Expenditure		10 645 288 129	10 894 525 700	772 520 467	11 667 046 167	1 021 758 038		
1 179 964 192	Surplus for the year		992 700 604	1 425 650 140	(491 270 935)	934 379 205	(58 321 399)		

Refer to Note 53 of the Financial Statements for explanation of variances

(Please note: SURPLUS for the year R992 700 604 less Transfers and Subsidies - Capital R837 598 030 = True SURPLUS for the year in the amount of R 155 102 574)

NELSON MANDELA BAY MUNICIPALITY CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020	
	<u>Accumulated Surplus</u>
	R
Balance at 01 July 2018 as previously reported	16 059 561 263
Restatements (Refer note 40.2)	(17 897 803)
Restated Balance at 01 July 2018	16 041 663 460
Surplus for the year as previously reported	1 189 176 979
Increase in Surplus (Refer note 40.1.1)	(2 172 795)
Restated Surplus for the year	1 187 004 184
Restated Balance at 30 June 2019	17 228 667 644
Balance at 01 July 2019	17 228 667 644
Surplus for the year	994 740 602
Transfer to revenue	(3 751 578)
Balance at 30 June 2020	18 219 656 668

NELSON MANDELA BAY MUNICIPALITY STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020	
	<u>Accumulated Surplus</u>
	R
Balance at 01 July 2018 as previously reported	16 050 378 192
Restatements (Refer note 40.2)	(22 985 668)
Restated Balance at 01 July 2018	16 027 392 524
Surplus for the year as previously reported	1 184 159 949
Increase in Surplus (Refer note 40.1.1)	(4 195 757)
Restated Surplus for the year	1 179 964 192
Restated Balance at 30 June 2019	17 207 356 716
Balance at 01 July 2019	17 207 356 716
Surplus for the year	992 700 604
Transfer to revenue	(3 751 578)
Balance at 30 June 2020	18 196 305 742



NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual	Restated	Actual	Restated
		2020	2019	2020	2019
		R	R	R	R
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from ratepayers, government and other		9 480 233 515	10 491 483 210	9 375 740 898	10 448 789 086
- Sale of goods and services, fines and taxes levied and Other Revenue		6 829 904 022	6 956 811 514	6 806 634 722	6 932 102 596
- Transfers and Subsidies		2 417 180 306	3 325 956 729	2 337 322 610	3 310 312 455
- Interest received		233 149 187	208 714 967	231 783 566	206 374 035
Cash paid to suppliers and employees		(8 501 840 286)	(8 119 990 159)	(8 433 659 914)	(8 056 046 738)
- Employee Costs		(3 343 073 061)	(3 005 464 973)	(3 296 715 846)	(2 963 898 006)
- Suppliers		(5 030 771 449)	(4 972 033 410)	(5 008 948 292)	(4 949 656 956)
- Finance Cost	27	(127 995 776)	(142 491 776)	(127 995 776)	(142 491 776)
CASH GENERATED FROM OPERATIONS	32	978 393 229	2 371 493 051	942 080 984	2 392 742 348
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of PPE		(833 841 621)	(1 674 014 025)	(831 031 214)	(1 666 493 061)
Proceeds on Disposal of PPE		0	14 407	0	0
Purchase of Intangible assets		(1 644 346)	(16 846 927)	(1 379 301)	(16 807 127)
Purchase of Investment Property		0	(794 620)	0	(794 620)
Purchase of Heritage Assets		(1 063 855)	0	(1 063 855)	0
NET CASH FLOW FROM INVESTING ACTIVITIES		(836 549 822)	(1 691 641 165)	(833 474 370)	(1 684 094 808)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of Non-current Liabilities (external loan funding)	33	(89 658 501)	(79 760 410)	(89 658 501)	(79 760 410)
NET CASH FLOW FROM FINANCING ACTIVITIES		(89 658 501)	(79 760 410)	(89 658 501)	(79 760 410)
NET CHANGE IN CASH AND CASH EQUIVALENTS		52 184 906	600 091 476	18 948 113	628 887 130
Cash and cash equivalents at the beginning of the year		3 209 612 488	2 609 521 012	3 199 015 002	2 570 127 872
Cash and cash equivalents at the end of the year	34	3 261 797 394	3 209 612 488	3 217 963 115	3 199 015 002

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Economic Entity		Municipality	
	2020	Restated 2019	2020	Restated 2019
	R	R	R	R
RESERVES GOVERNED BY AN ACT: Note 1 and Note 2				
1 HOUSING REVOLVING FUND				
Housing Revolving Fund	0	0	0	0
The amount for this note has been included in the Total Accumulated Funds.				
<u>Housing Revolving Fund</u>				
Balance at the beginning of the year	0	109 731 779	0	109 731 779
Transfer to Accumulated Surplus	0	(109 731 779)	0	(109 731 779)
Balance at the end of the year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

The purpose of the Housing Revolving Fund is to provide bridging financing for Provincial Housing Board approved housing developments. Contributions consist of cash received from the Provincial Housing Board.

2 COID RESERVE

Balance at the beginning of the year	41 321 868	37 185 503	41 321 868	37 185 503
Premiums received - transfer from accumulated surplus	7 740 637	7 315 725	7 740 637	7 315 725
Expenditure funded during the year - transfer to accumulated surplus	(2 541 416)	(3 179 360)	(2 541 416)	(3 179 360)
Balance at the end of the year	<u>46 521 089</u>	<u>41 321 868</u>	<u>46 521 089</u>	<u>41 321 868</u>

The amount for this note has been included in the Total Accumulated Funds.

The COID Reserve is required in terms of Section 84 of the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993) as the Nelson Mandela Bay Municipality (NMBM) has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases.

3. LONG-TERM LIABILITIES

Financial Liabilities:

Development Bank of Southern Africa (DBSA)

Rand Merchant Bank

Nedbank

Total External Loans

Long-term Liabilities - Entity

Brookes Bequest

Total Long-term Liabilities

Less : Current portion transferred to current liabilities

Development Bank of Southern Africa (DBSA)

Rand Merchant Bank

Nedbank

322 119 963	339 921 853
364 499 298	381 960 644
407 122 299	464 178 769
1 093 741 560	1 186 061 266
84 707	1 838 762
21 773 102	20 374 056
1 115 599 369	1 208 274 084
99 142 909	89 658 501
19 471 649	17 801 889
18 809 035	17 315 635
60 862 225	54 540 977
1 016 456 460	1 118 615 583

322 119 963	339 921 853
364 499 298	381 960 644
407 122 299	464 178 769
1 093 741 560	1 186 061 266
0	0
21 773 102	20 374 056
1 115 514 662	1 206 435 322
99 142 909	89 658 501
19 471 649	17 801 889
18 809 035	17 315 635
60 862 225	54 540 977
1 016 371 753	1 116 776 821

The Financial liabilities are measured at amortised cost taking into account relevant interest rates.

Council approved a new loan of R750 million for various capital projects, with loan withdrawals only commencing in the 2020/2021 financial year.

In line with Chapter 6 of the MFMA, no loans are secured.

DBSA

A further loan of R420 000 000 was taken up during the 2008/09 financial year and is repayable over 20 years in 38 half yearly instalments of R27 651 367, by 30 September 2029, at a fixed interest rate of 11.62% per annum with a final payment of R27 651 367. The loan was used for various capital projects. A capital amount of R17 292 126 and interest of R38 010 607 was repaid during the financial year. (2019: Capital repaid R15 512 299 and Interest paid R39 790 434)

NEDBANK

The loan of R745 000 000 was taken up during the 2009/10 financial year and is repayable over 15 years in 30 half yearly instalments of R52 372 749, by 31 January 2025, at a fixed interest rate of 11.7% per annum. The loan was used for various capital projects. A capital amount of R54 540 977 and interest of R50 227 020 was repaid during the financial year. (2019: Capital repaid R48 678 958 and Interest paid R56 089 039)

RAND MERCHANT BANK

The loan of R470 000 000 was taken up during the 2010/11 financial year and is repayable over 20 years in 40 half yearly instalments of R27 779 027, by 31 May 2031, at a fixed interest rate of 10.24% per annum. The loan was used for various capital projects. A capital amount of R17 315 635 and interest of R38 242 419 was repaid during the financial year. (2019: Capital repaid R15 569 153 and Interest paid R39 988 901)

BROOKES BEQUEST

Brookes bequest represents a long-term creditor. The capital of the fund, may not be used until 100 years after the death of the last annuitant. The funds can only be utilised by the NMBM when the two remaining Trustees approve the donation of funds to the NMBM. The interest may be utilised for capital projects related to the development of Humewood. The fund bears interest at an average of 6.64% per annum.

LONG-TERM LIABILITIES - ENTITY INCLUDES:

CONSTRUCTION CONTRACT RETENTION AND DEFERRED INCOME

Construction contract retention creditors relate to retentions held in projects in line with accepted construction accounting principles. Such retentions are payable 3 to 12 months after official sign off of the project, and are non-interest bearing.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Economic Entity		Municipality	
	2020	Restated 2019	2020	Restated 2019
	R	R	R	R
4.1 NON CURRENT PROVISIONS - EMPLOYEE BENEFITS				
Gratuity Benefit	8 861 000	9 516 000	8 861 000	9 516 000
Post Retirement Benefits	1 216 905 401	1 377 456 000	1 216 905 401	1 377 456 000
Long Service Awards and Long Service Bonus	594 890 848	655 019 000	594 890 848	655 019 000
Total Employee Benefit Obligation	1 820 657 249	2 041 991 000	1 820 657 249	2 041 991 000

Refer to Note 47 for the full reconciliation and disclosures.

Gratuity Benefit

This obligation is in respect of the long-term liability relating to gratuities payable to employees that were not previously members of a pension fund.

Balance at beginning of year	9 516 000	14 519 000	9 516 000	14 519 000
Movement in Obligation	(655 000)	(5 003 000)	(655 000)	(5 003 000)
Balance at end of year	8 861 000	9 516 000	8 861 000	9 516 000

Post Retirement Benefits

The past service liability in respect of post retirement benefits relates to ill-health retirements and medical aid contributions, and ex-gratia pensions which have been actuarially assessed at R1 216 905 401

Balance at beginning of year	1 377 456 000	1 216 855 000	1 377 456 000	1 216 855 000
Movement in Obligation	(160 550 599)	160 601 000	(160 550 599)	160 601 000
Balance at end of year	1 216 905 401	1 377 456 000	1 216 905 401	1 377 456 000

Long Service Awards and Long Service Bonus

This obligation is in respect of the long service award and long service bonus which the Municipality offers to its current employees and which become payable at certain pre-determined intervals.

Balance at beginning of year	655 019 000	576 507 000	655 019 000	576 507 000
Contributions to Obligation	(60 128 152)	78 512 000	(60 128 152)	78 512 000
Balance at end of year	594 890 848	655 019 000	594 890 848	655 019 000

4.2 NON-CURRENT PROVISIONS - OTHER

Rehabilitation of Landfill sites	358 133 740	407 057 209	358 133 740	407 057 209
Rehabilitation of Swartkops River	73 643 693	71 681 592	73 643 693	71 681 592
Total Non-current Provisions	431 777 433	478 738 801	431 777 433	478 738 801

Rehabilitation of landfill sites

In terms of the licensing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R111,842,858 for the Arlington Landfill site, R110,796,300 for the Koedoeskloof Landfill site and R135,494,582 for the Ibhayi Landfill site determined at net present value to restore the sites at the end of their useful lives estimated to be in 2027 (Arlington) and 2028 (Koedoeskloof). Squatters are currently occupying the Ibhayi Landfill site that is already closed. Provision has been made for the rehabilitation of the landfill sites based on the net present value of cost. For Arlington and Koedoeskloof landfill sites, the cost factors as determined have been applied and projected at an inflation rate of 2.2%. The projected amounts are discounted to the present value at the average borrowing rate of 11.14%. The determined cost to rehabilitate Ibhayi landfill site represents the present value.

A change in useful lives and reduced CPI index, have caused the change in the value of the provision.

Balance at beginning of year	407 057 209	313 248 967	407 057 209	313 248 967
Contributions to Provision	(48 923 469)	93 808 242	(48 923 469)	93 808 242
Balance at end of year	358 133 740	407 057 209	358 133 740	407 057 209

Rehabilitation of Swartkops River

Balance at beginning of year	71 681 592	75 681 398	71 681 592	75 681 398
Contributions to Provision - unwinding of discount factor	1 962 101	(3 999 806)	1 962 101	(3 999 806)
Balance at end of year	73 643 693	71 681 592	73 643 693	71 681 592

The provision is in relation to the Municipality's obligation to address the environmental pollution of the Swartkops River.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Economic Entity		Municipality	
	2020	Restated 2019	2020	Restated 2019
	R	R	R	R
5 EMPLOYEE BENEFITS AND PROVISIONS				
5.1 CURRENT PROVISIONS - EMPLOYEE BENEFITS				
Gratuity Obligation	1 785 000	4 833 000	1 785 000	4 833 000
Post Retirement Benefits	69 961 544	73 478 000	69 961 544	73 478 000
Performance Bonus Liability	6 833 030	4 940 292	5 411 709	3 827 569
Long service awards and long service bonuses	100 231 352	93 825 001	100 231 352	93 825 001
Provision for Workmen's Compensation	16 667	39 354	0	0
Total Current Employee Benefit Obligation	178 827 593	177 115 647	177 389 605	175 963 570
Refer to Note 47 for the full reconciliation and disclosures.				
Gratuity Obligation				
This obligation is in respect of the short-term liability relating to gratuities payable to employees that were not previously members of a pension fund.				
Balance at beginning of year	4 833 000	1 083 000	4 833 000	1 083 000
Movement in Obligation	(964 188)	5 494 658	(964 188)	5 494 658
Expenditure incurred	(2 083 812)	(1 744 658)	(2 083 812)	(1 744 658)
Balance at end of year	1 785 000	4 833 000	1 785 000	4 833 000
Post Retirement Benefits				
The obligation is in respect of the short-term liabilities attributable to ill-health retirements, medical aid contributions and ex-gratia pensions.				
Balance at beginning of year	73 478 000	61 548 000	73 478 000	61 548 000
Contributions to Obligation	72 085 569	82 467 057	72 085 569	82 467 057
Expenditure incurred	(75 602 025)	(70 537 057)	(75 602 025)	(70 537 057)
Balance at end of year	69 961 544	73 478 000	69 961 544	73 478 000
Performance bonus liability				
This obligation is in respect of the short-term liability relating to performance bonuses payable to Section 57 employees, based on a maximum of 14% of their all-inclusive remuneration package paid as per regulation 32(2) of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006.				
Balance at beginning of year	4 940 292	2 071 133	3 827 569	1 822 279
Movement in Obligation	3 005 461	3 118 013	1 584 140	2 005 290
Expenditure incurred	(1 112 723)	(248 854)	0	0
Balance at end of year	6 833 030	4 940 292	5 411 709	3 827 569
Long service awards and long service bonuses				
The obligation is in respect of long service awards and long service bonuses				
Balance at beginning of year	93 825 001	94 425 001	93 825 001	94 425 001
Movement in Obligation	6 406 351	(600 000)	6 406 351	(600 000)
Balance at end of year	100 231 352	93 825 001	100 231 352	93 825 001
Provision for Workmen's Compensation				
Balance at beginning of year	39 354	51 897	0	0
Contributions to Obligation	157 000	39 354	0	0
Expenditure incurred	(179 687)	(51 897)	0	0
Balance at end of year	16 667	39 354	0	0
5.2 CURRENT PROVISIONS - OTHER				
Provision for Litigation and Claims	3 275 000	82 002	3 275 000	82 002
Total Current Provisions	3 275 000	82 002	3 275 000	82 002
Provision for Litigation and Claims				
The provision is in respect of probable claims against the NMBM, pending the outcome of court decisions - See note 45(b).				
Balance at the beginning of the year	82 002	38 771 537	82 002	38 771 537
Contribution to the provision	3 275 000	82 002	3 275 000	82 002
Provision utilised/reversed	(82 002)	(38 771 537)	(82 002)	(38 771 537)
Balance at end of year	3 275 000	82 002	3 275 000	82 002
6 CONSUMER DEPOSITS				
Electricity and Water	154 791 438	151 631 514	154 791 438	151 631 514
Interest	1 595 641	1 742 087	1 595 641	1 742 087
	156 387 079	153 373 601	156 387 079	153 373 601
Guarantees held in lieu of Electricity and Water Deposits	17 193 797	15 465 278	17 193 797	15 465 278
Consumer deposits bear interest and are only refunded once the consumers' accounts are closed.				

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Economic Entity		Municipality	
	2020	Restated 2019	2020	Restated 2019
	R	R	R	R
7 TRADE AND OTHER PAYABLES				
Payables and Accruals	1 391 831 592	1 801 252 102	1 359 603 205	1 770 991 708
Payments Received in Advance	85 642 706	100 028 753	85 642 706	100 028 753
Staff leave	315 115 899	270 443 165	311 244 364	268 683 432
Retentions	97 103 200	103 810 789	97 103 200	103 810 789
Total Creditors	1 889 693 397	2 275 534 809	1 853 593 475	2 243 514 682
7 Transfers and Subsidies (See details below)	734 461 768	297 804 563	729 406 019	295 261 516

Refer Restatement Notes no. 40.3.1

Financial liabilities:

Trade creditors are non-interest bearing and are normally settled on 30-day terms, except for retention amounts of R97 103 200, which could be settled within the next 12 months.

No creditors are secured

TRANSFERS AND SUBSIDIES

7.1 Conditional Grants from other spheres of Government

Conditional Grants in terms of the Division of Revenue Act (DORA):

Public Transport Infrastructure Grant (See Note 22.7.1 and Note 16)	98 803 020	16 424 051	98 803 020	16 424 051
Public Transport Networks Operations Grant (See Note 22.7.2)	96 112 294	0	96 112 294	-
Neighbourhood Partnership Development Grant (See Note 22.15 and Note 16)	13 085 004	0	13 085 004	-
Urban Settlement Grant (See Note 22.16 and Note 16)	307 341 901	45 466 978	307 341 901	45 466 978
Integrated City Development Grant (ICDG) (See Note 22.20)	351 265	0	351 265	-
Drought Relief Grant (See Note 22.21)	188 078 966	207 695 396	188 078 966	207 695 396
Other Grants:				
PHB Subsidies (See Note 22.1)	1 200 000	1 200 000	1 200 000	1 200 000
Smart Grid initiative Grant (See Note 22.4)	711 836	711 836	711 836	711 836
Provincial Department of Human Settlements: Accreditation Grant (See Note 22.5.1)	1 973 952	1 973 952	1 973 952	1 973 952
EU Sector Policy Support Project (See Note 22.9)	1 744 599	1 744 599	1 744 599	1 744 599
Other Grants (See Note 22.11)	5 945 555	3 849 447	889 806	1 306 400
National Lotteries Grant (See Note 22.13)	1 305 131	1 305 131	1 305 131	1 305 131
CDC Walmer Intervention Funding Grant (See Note 22.14.1)	9 068 420	9 068 420	9 068 420	9 068 420
EPWP Incentive Grant (See Note 22.18)	0	1 091 282	-	1 091 282
LGSETA Discretionary Learnership Funding (See Note 22.24)	7 867 044	6 400 690	7 867 044	6 400 690
Provincial Department Agency: Communication Grant (See Note 22.25)	872 781	872 781	872 781	872 781
Total Transfers and Subsidies	734 461 768	297 804 563	729 406 019	295 261 516

The unspent portion of transfers and subsidies represent cash as included in note 18 below.

Refer Restatement Note no. 40.3.6

8 VAT				
VAT Receivable / (Net VAT payable)	(150 946 268)	(65 476 944)	(150 946 268)	(65 476 944)
VAT Receivable / (Net VAT payable) - MBDA	(3 251 168)	7 369 476	0	0

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

Refer Restatement Note no. 40.3.3

9 PROPERTY, PLANT AND EQUIPMENT				
ECONOMIC ENTITY	R	R	R	
As at 30 June 2020	Cost	Accumulated Depreciation/ Impairment	Carrying Value	
Land & Buildings	2 154 834 787	357 732 708	1 797 102 079	
Infrastructure Assets	19 194 914 513	6 790 824 498	12 404 090 015	
Community Assets	3 657 353 214	1 141 210 586	2 516 142 628	
Other Assets	1 584 815 193	1 003 837 979	580 977 214	
	26 591 917 707	9 293 605 771	17 298 311 936	

No assets were pledged as security and there were no restrictions.

A detailed register of Property, plant and equipment is maintained and is available for inspection.

Refer to Note 48 for reconciliation.

As at 30 June 2019

	Cost	Accumulated Depreciation/ Impairment	Carrying Value	
Land & Buildings	2 108 955 754	311 023 037	1 797 932 717	
Infrastructure Assets	18 417 900 049	6 088 527 092	12 329 372 957	
Community Assets	3 602 755 037	1 030 690 898	2 572 064 139	
Other Assets	1 586 291 574	903 802 045	682 489 529	
	25 715 902 414	8 334 043 072	17 381 859 342	

Refer Restatement Note no. 40.3.7

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

	R	R	R
MUNICIPALITY			
As at 30 June 2020			
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	2 137 451 375	357 636 870	1 779 814 505
Infrastructure Assets	19 194 914 513	6 790 824 498	12 404 090 015
Community Assets	3 657 353 214	1 141 210 586	2 516 142 628
Other Assets	1 578 800 405	1 000 899 827	577 900 578
	26 568 519 507	9 290 571 781	17 277 947 726

No assets were pledged as security and there were no restrictions.

A detailed register of Property, plant and equipment is maintained and is available for inspection.

Refer to Note 48 for reconciliation.

As at 30 June 2019

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	2 091 509 659	310 232 736	1 781 276 923
Infrastructure Assets	18 417 900 049	6 088 527 092	12 329 372 957
Community Assets	3 602 755 037	1 030 690 898	2 572 064 139
Other Assets	1 581 969 124	901 623 795	680 345 329
	25 694 133 869	8 331 074 521	17 363 059 348

Refer Restatement Note no. 40.3.7

10 HERITAGE ASSETS

	R	R	R
ECONOMIC ENTITY			
As at 30 June 2020			
	Cost	Accumulated Impairment	Carrying Value
Heritage Assets	227 135 645	15 820 657	211 314 988
	227 135 645	15 820 657	211 314 988

Refer to Note 49 for reconciliation.

As at 30 June 2019

	Cost	Accumulated Impairment	Carrying Value
Heritage Assets	233 228 949	15 820 657	217 408 292
	233 228 949	15 820 657	217 408 292

	R	R	R
MUNICIPALITY			
As at 30 June 2020			
	Cost	Accumulated Impairment	Carrying Value
Heritage Assets	226 885 145	15 820 657	211 064 488
	226 885 145	15 820 657	211 064 488

No assets were pledged as security and there were no restrictions.

Refer to Note 49 for reconciliation.

As at 30 June 2019

	Cost	Accumulated Impairment	Carrying Value
Heritage Assets	232 978 449	15 820 657	217 157 792
	232 978 449	15 820 657	217 157 792

No assets were pledged as security and there were no restrictions.

No retiring from active use / disposal took place during the current year

Refer Restatement Note no. 40.3.8

11 INTANGIBLE ASSETS

ECONOMIC ENTITY			
As at 30 June 2020			
	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	483 090 630	321 879 671	161 210 959
	483 090 630	321 879 671	161 210 959

No assets were pledged as security and there were no restrictions.

Refer to Note 50 for reconciliation.

As at 30 June 2019

	Cost	Accumulated Amortisation/ Impairment	Carrying Value
--	-------------	---------------------------------------------	-----------------------

Computer Software

618 273 951	249 608 957	368 664 994
618 273 951	249 608 957	368 664 994

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

11 INTANGIBLE ASSETS (Continued)

MUNICIPALITY

As at 30 June 2020

	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	482 408 567	321 509 659	160 898 908
	482 408 567	321 509 659	160 898 908

No assets were pledged as security and there were no restrictions.

Refer to Note 50 for reconciliation.

As at 30 June 2019

	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	617 856 933	249 263 653	368 593 280
	617 856 933	249 263 653	368 593 280

12 INVESTMENT PROPERTY

ECONOMIC ENTITY

As at 30 June 2020

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	236 618 412	71 530 870	165 087 542
	236 618 412	71 530 870	165 087 542

No assets were pledged as security and there were no restrictions.

Refer to Note 51 for reconciliation.

As at 30 June 2019

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	290 642 147	73 816 625	216 825 522
	290 642 147	73 816 625	216 825 522

MUNICIPALITY

As at 30 June 2020

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	236 618 412	71 530 870	165 087 542
	236 618 412	71 530 870	165 087 542

No assets were pledged as security and there were no restrictions.

Refer to Note 51 for reconciliation.

As at 30 June 2019

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	290 642 147	73 816 625	216 825 522
	290 642 147	73 816 625	216 825 522

Description of Investment Property:

Nelson Mandela Bay Logistics Park
 Kings Beach
 Springs Resort
 Telkom Park
 Mc Arthur Bath
 Willows Resort
 Beachview Resort
 Van Stadens Resort
 St Georges Park Resort and Wells estate
 Motherwell Depot
 Africa Timbers in Korsten
 Mercado centre
 Fresh Produce Market
 Incinerator and Gas works
 Something Good
 Korsten Depot
 Port Elizabeth RD Steeledale Reinforcing
 PE Central Shop
 North End Workshop
 Moselville Old Post Office
Market Value of Investment Property

**ECONOMIC ENTITY AND
MUNICIPALITY**

2020 Restated 2019

R	R
102 300 000	102 300 000
0	30 400 000
2 141 000	2 141 000
0	45 200 000
12 290 000	12 290 000
246 430 000	246 430 000
6 250 000	6 250 000
5 250 000	5 250 000
117 500 000	117 500 000
15 010 000	15 010 000
1 990 000	1 990 000
22 830 000	22 830 000
0	5 500 000
26 730 000	26 730 000
4 200 000	4 200 000
1 600 000	1 600 000
980 000	980 000
490 000	490 000
66 000	66 000
1 250 000	1 250 000
567 307 000	648 407 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

12 INVESTMENT PROPERTY (Continued)

Additional Disclosure:

The NMBM applies the Cost Model.

The Market Value was determined by valuers of the Rates and Valuations Directorate within NMBM who are experts in this field. The property values are consistent with the prior years and no updated valuations has been performed in the current year. The valuations was based on the 2016 Valuations roll, which is valid for 5 years - refer note 20:

The depreciated replacement cost method of valuation was applied in determining the valuation of the property. This method of valuation is usually applied to properties that do not often change hands in the open market. The depreciated replacement cost method of valuation is calculated by determining the replacement cost of the improvements, as at the date of the valuation, less a depreciation factor, which comprises physical deterioration, functional obsolescence and location deterioration. The value of land is determined by means of comparable sales of similar properties in the area. The two values are added together to arrive at the valuation of the property.

Properties subject to Operating Leases:

Rental revenue included in surplus for following Investment Properties:

Beachview resort
 Van Stadens Resort
 Something Good

Direct Operating expenses that generated rental revenue
 Direct Operating expenses that did not generate rental revenue

**ECONOMIC ENTITY AND
MUNICIPALITY**

2020	Restated 2019
R	R
240 000	240 000
240 000	240 000
701 304	665 374

0	0
0	0

Economic Entity	
2020	Restated 2019
R	R

Municipality	
2020	Restated 2019
R	R

13 LONG-TERM RECEIVABLES

Other Debtors	50 315	50 315
Consumer Debtors	53 093 514	90 146 308
Rates and General	19 339 476	29 637 649
Other Services	3 548 887	6 901 393
Electricity	6 219 995	12 303 712
Water	13 402 231	22 666 572
Refuse	4 153 198	7 072 449
Sewerage	6 429 727	11 564 533

50 315	50 315
53 093 514	90 146 308
19 339 476	29 637 649
3 548 887	6 901 393
6 219 995	12 303 712
13 402 231	22 666 572
4 153 198	7 072 449
6 429 727	11 564 533

Long-term Receivables

53 143 829	90 196 623
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53 143 829	90 196 623
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Long-term Receivables - Exchange Transactions	33 754 038	60 508 659
Long-term Receivables - Non-exchange Transactions	19 389 791	29 687 964
	53 143 829	90 196 623

33 754 038	60 508 659
19 389 791	29 687 964
53 143 829	90 196 623

No collateral is held for receivables.

In the event of defaults on arrangements, the consumers may enter into a fresh arrangement upon making certain down payments.

No assets have been pledged as security for any liabilities

LONG-TERM RECEIVABLES - CONSUMER DEBTORS

Financial Assets - Receivables:

The consumer debtors are billed a gazetted interest rate between 9.75% and 10.25% per annum on overdue accounts.

Trade Receivables - Exchange Transactions

The current portion is disclosed in note 15 - Trade Receivables - Exchange Transactions.

14 INVENTORY

Materials and Supplies	156 504 635	135 379 661
Work in Progress - Other	130 582 916	112 132 914
	86 869	20 215
Finished Goods - Water Stock (refer to note 28 for cost of inventory purchased)	19 413 794	16 773 046
Finished Goods - Other	6 272 458	6 291 456
Consumables	148 598	162 030

156 356 037	135 217 631
130 582 916	112 132 914
86 869	20 215
19 413 794	16 773 046
6 272 458	6 291 456
0	0

Less: Provision for Obsolete Stock	(2 340 789)	(2 374 163)
	154 163 846	133 005 498

(2 340 789)	(2 374 163)
154 015 248	132 843 468

No inventory was pledged as security

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

15 TRADE RECEIVABLES - EXCHANGE TRANSACTIONS

ECONOMIC ENTITY AND MUNICIPALITY

As at 30 June 2020

Service Debtors
Electricity
Water
Refuse
Sanitation

House Rentals
Total

R	R	R
Gross Balances	Impairment Allowance	Carrying Amount
4 484 576 620	(2 589 539 109)	1 895 037 511
1 597 690 790	(675 865 729)	921 825 061
1 693 452 283	(1 094 417 526)	599 034 757
453 603 283	(319 666 948)	133 936 335
739 830 264	(499 588 906)	240 241 358
48 046 192	(34 290 643)	13 755 549
4 532 622 812	(2 623 829 752)	1 908 793 060

No consumer debtors were pledged as security.

In the event of defaults services are disconnected until such time that the outstanding debt has been paid or an arrangement entered into.

As at 30 June 2019

Service Debtors
Electricity
Water
Refuse
Sanitation

House Rentals
Total

Gross Balances	Impairment Allowance	Carrying Amount
3 741 896 983	(2 129 195 532)	1 612 701 451
1 455 738 806	(540 527 209)	915 211 597
1 446 837 099	(984 422 716)	462 414 383
329 969 696	(244 550 718)	85 418 978
509 351 382	(359 694 889)	149 656 493
44 216 385	(28 219 386)	15 996 999
3 786 113 368	(2 157 414 918)	1 628 698 450

Electricity: Ageing

Current (0-30 days)
31 - 60 Days
61 - 90 Days
Over 90 Days
Total

2020 R	Restated 2019 R
681 545 665	773 272 176
126 538 618	39 193 759
21 120 286	19 555 099
768 486 221	623 717 772
1 597 690 790	1 455 738 806

Water: Ageing

Current (0-30 days)
31 - 60 Days
61 - 90 Days
Over 90 Days
Total

185 172 795	188 819 324
104 623 213	67 650 712
123 903 513	59 427 724
1 279 752 762	1 130 939 339
1 693 452 283	1 446 837 099

Refuse: Ageing

Current (0-30 days)
31 - 60 Days
61 - 90 Days
Over 90 Days
Total

30 320 794	31 399 754
24 295 883	11 701 745
16 650 785	10 025 878
382 335 821	276 842 319
453 603 283	329 969 696

Sanitation: Ageing

Current (0-30 days)
31 - 60 Days
61 - 90 Days
Over 90 Days
Total

61 796 358	56 601 915
43 915 133	27 041 372
39 557 324	21 129 973
594 561 449	404 578 122
739 830 264	509 351 382

Housing Rentals: Ageing

Current (0-30 days)
31 - 60 Days
61 - 90 Days
Over 90 Days
Total

1 748 069	3 113 114
2 669 331	1 219 842
1 241 088	1 197 379
42 387 704	38 686 050
48 046 192	44 216 385

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

15 TRADE RECEIVABLES - EXCHANGE TRANSACTIONS (Continued)

Summary of Debtors by Customer Classification

30 June 2020

Current (0-30 days)
31 - 60 Days
61 - 90 Days
Over 90 Days

Gross Consumer Debtors by Customer classification

Gross Consumer Debtors
Less: Impairment allowance

Net Consumer Debtors for the period ended 30 June 2020

R	R	R
<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
307 393 101	617 375 599	35 811 907
86 871 292	174 678 533	40 492 347
123 025 968	47 423 399	32 023 623
1 600 298 201	1 313 307 818	153 921 024
2 117 588 562	2 152 785 349	262 248 901
		4 532 622 812
		(2 623 829 752)
		1 908 793 060

Summary of Debtors by Customer Classification

30 June 2019

Current (0-30 days)
31 - 60 Days
61 - 90 Days
Over 90 Days

Gross Consumer Debtors by Customer classification

Gross Consumer Debtors
Less: Impairment allowance

Net Consumer Debtors for the year ended 30 June 2019

R	R	R
<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
283 467 830	741 285 563	28 449 812
91 072 181	50 954 342	4 780 900
78 415 852	27 247 084	5 673 112
1 452 873 363	941 308 852	80 584 477
1 905 829 226	1 760 795 841	119 488 301
		3 786 113 368
		(2 157 414 918)
		1 628 698 450

Reconciliation of the Impairment Allowance

Balance at beginning of year
Contributions to Impairment allowance

Bad debts written off against the Impairment allowance

Balance at end of year

2020 R	Restated 2019 R
2 157 414 918	1 786 736 985
991 193 200	503 489 137
3 148 608 118	2 290 226 122
(524 778 366)	(132 811 204)
2 623 829 752	2 157 414 918

Financial Assets have been classified as loans and receivables.

The consumer debtors are billed a gazetted interest rate between 9.75% and 10.25% per annum on overdue accounts.

Consumer Debtors not past due nor impaired therefore no impairment allowance raised:

Neither past due nor impaired

1 908 793 060	1 628 698 450
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Consumer Debtors for which an impairment allowance was raised

Provision (based on the collection of outstanding debts and debtors handed over to attorneys)

2 623 829 752	2 157 414 918
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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Economic Entity		Municipality	
	2020 R	Restated 2019 R	2020 R	Restated 2019 R
15 TRADE RECEIVABLES - NON-EXCHANGE TRANSACTIONS				
Property Rates	1 462 917 742	1 106 710 486	1 462 917 742	1 106 710 486
Provision for Bad Debts - Property Rates	(1 069 553 720)	(859 173 503)	(1 069 553 720)	(859 173 503)
	393 364 022	247 536 983	393 364 022	247 536 983
Refer Restatement Note no. 40.3.4				
Property rates: Ageing				
Current (0-30 days)	18 992 575	26 564 099	18 992 575	26 564 099
31 - 60 Days	92 128 849	26 816 262	92 128 849	26 816 262
61 - 90 Days	39 827 679	24 021 453	39 827 679	24 021 453
Over 90 Days	1 311 968 639	1 029 308 672	1 311 968 639	1 029 308 672
Total	1 462 917 742	1 106 710 486	1 462 917 742	1 106 710 486
Reconciliation of the Impairment Allowance				
Balance at beginning of year	859 173 503	750 700 559	859 173 503	750 700 559
Contributions to Impairment allowance	271 657 582	137 235 251	271 657 582	137 235 251
	1 130 831 085	887 935 810	1 130 831 085	887 935 810
Bad debts written off against the Impairment allowance	(61 277 365)	(28 762 307)	(61 277 365)	(28 762 307)
Balance at end of year	1 069 553 720	859 173 503	1 069 553 720	859 173 503
16 OTHER RECEIVABLES - NON-EXCHANGE TRANSACTIONS				
Other Receivables: MBDA	2 100	159 158	0	0
16 OTHER RECEIVABLES - EXCHANGE TRANSACTIONS				
Accrued Income: Transfers and Subsidies - Housing	210 320 725	213 744 952	210 320 725	213 744 952
Accrued Income: Transfers and Subsidies - USDG	390 274 000	0	390 274 000	0
Accrued Income: Transfers and Subsidies - NPDG	10 000 000	0	10 000 000	0
Accrued Income: Transfers and Subsidies - IPTS	98 154 007	0	98 154 007	0
Accrued Income: Transfers and Subsidies - E-Share	255 415 000	0	255 415 000	0
Accrued Income: Transfers and Subsidies - Public Health	17 112 961	17 112 961	17 112 961	17 112 961
Accrued Income: Transfers and Subsidies - Coega	0	37 276 701	0	37 276 701
Accrued Income: Transfers and Subsidies - MBDA	63 081 470	42 062 376	63 081 470	42 062 376
Accrued Income: Market	29 826 074	30 966 759	29 826 074	30 966 759
Accrued Income: Other	110 005 071	153 079 491	110 005 071	153 079 491
Prepayments and Advances	14 131 905	14 900 000	14 131 905	14 900 000
Operating Leases - Straight Lining	3 235 879	2 920 481	3 235 879	2 920 481
	1 201 557 092	512 063 721	1 201 557 092	512 063 721
Provision for Bad Debts - Housing	(81 168 190)	(81 168 190)	(81 168 190)	(81 168 190)
Provision for Bad Debts - Market	(29 826 074)	(29 826 074)	(29 826 074)	(29 826 074)
	1 090 562 828	401 069 457	1 090 562 828	401 069 457
Other Receivables: MBDA	4 368 722	21 454 583	0	0
	1 094 931 550	422 524 040	1 090 562 828	401 069 457
Refer Restatement Note no. 40.3.2				
Amounts due from Government and external debtors are normally settled within 30 days and bear no interest.				
Included in Sundry Debtors above are debit balances in creditors which are still under investigation to determine whether they should have been there or not and are being cleared and updated where necessary.				
17 CALL DEPOSITS AND INVESTMENTS				
DEPOSITS and INVESTMENTS				
ABSA Investment Account - interest receivable on monthly basis at the average annual interest rate of 2020: 2.75%, 3.50% and 5.95% (2019: 7.11% and 6.25%) during the current audit period.	523 310 000	711 810 000	523 310 000	711 810 000
First National Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2020: 5.80% (2019: 7.03%) during the current audit period.	520 000 000	711 500 000	520 000 000	711 500 000
Investec Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2020: 3.50% (2019: 6.25 %) during the current audit period.	148 434 177	140 344 337	148 434 177	140 344 337
Nedbank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2020: 3.35% and 6.07% (2019: 7.20% and 6.10%) during the current audit period.	560 500 000	712 000 000	560 500 000	712 000 000
Standard Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2020: 6.37% (2019: 7.33%) during the current audit period.	557 400 000	733 500 000	557 400 000	733 500 000
Standard Bank Stanlib Investment Account - interest receivable on monthly basis at the average annual interest rate of 2020: 5.06% (2019: 7.30%) during the current audit period.	259 657	259 657	259 657	259 657
	2 309 903 834	3 009 413 994	2 309 903 834	3 009 413 994
18 CALL DEPOSITS AND INVESTMENTS - OTHER				
Sanlam Shares - Financial Instruments	2 411 766	3 198 229	2 411 766	3 198 229
No Investments were pledged as security				
The Investments are committed as follows:	2 309 903 834	3 009 413 994	2 309 903 834	3 009 413 994
Transfers and Subsidies	236 033 761	297 804 563	230 978 012	295 261 516
Current Portion of Long-term Liabilities	99 142 909	89 658 501	99 142 909	89 658 501
COLD Reserve	46 521 089	41 321 868	46 521 089	41 321 868
Self Insurance Reserve	85 600 224	60 000 000	85 600 224	60 000 000
Capital Replacement Reserve	227 353 908	45 047 783	227 353 908	45 047 783
	694 651 891	533 832 715	689 596 142	531 289 668
The balance is available for Trade and Other Payables	1 615 251 943	2 475 581 279	1 620 307 692	2 478 124 326

Also refer Notes 3, 7 and 7.1

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Economic Entity		Municipality	
	2020	Restated 2019	2020	Restated 2019
	R	R	R	R
18 CALL DEPOSITS AND INVESTMENTS - OTHER (CONTINUES)				
The Municipality's Investment Policy and Investment Regulations, require local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.				
The NMBM is the holder of 40 919 shares in Sanlam Ltd received or allotted for no cost, of which the market value is R2 411 766 (2019: R3 198 229) determined on the open market share price as at 30 June 2020. The shares were awarded to the NMBM as the beneficiary of an insurance endowment policy, which matured during October 1998.				
All deposits are invested in call accounts with all of the above banks as per the above-mentioned interest rate options. Short-term investment deposits form part of cash and cash equivalents for purposes of the cash flow statement.				
Short-term Investment Deposits amounting to R99 142 909 (2019: R89 658 501) are ring-fenced and attributable to repaying long-term loans.				
19 BANK BALANCES AND CASH				
The NMBM operates various current accounts with ABSA. The details are as follows:				
BANK: ABSA				
ACCOUNT NUMBER: 4079534961				
BRANCH: Greenacres				
BRANCH CODE: 632005				
Cash Book balance at beginning of the year	189 601 008	198 193 013	189 601 008	198 193 013
Cash Book balance at end of the year	908 059 281	189 601 008	908 059 281	189 601 008
Bank Balance at beginning of the year	205 002 964	138 260 400	205 002 964	138 260 400
Bank Balance at end of the year	978 420 814	205 002 964	978 420 814	205 002 964
Which are disclosed in the Statement of Financial Position as follows:				
Bank balances and cash	908 059 281	189 601 008	908 059 281	189 601 008
Refer Restatement Note no. 40.3.5				
Mandela Bay Development Agency				
Current Accounts (Primary Account)				
NedBank, Govan Mbeki Avenue, Port Elizabeth				
Account Number -				
Cashbook balance at beginning of year	4 565 038	2 282 646		
Cashbook balance at end of the year	6 224 234	4 565 038		
Bank statement balance at beginning of the year	4 565 038	2 282 646		
Bank statement balance at end of the year	6 224 234	4 565 038		
Call Account Deposits				
NedBank, Govan Mbeki Avenue, Port Elizabeth				
Account Number -				
Cashbook balance at beginning of year	6 032 448	37 110 494		
Cashbook balance at end of the year	37 610 045	6 032 448		
Bank statement balance at beginning of the year	6 032 448	37 110 494		
Bank statement balance at end of the year	37 610 045	6 032 448		
Rand Merchant Bank, Port Elizabeth				
Account Number - X021906134				
Cashbook balance at beginning of year	0	0		
Cashbook balance at end of the year	0	0		
Bank statement balance at beginning of the year	0	0		
Bank statement balance at end of the year	0	0		
Which are disclosed in the Statement of Financial Position as follows:				
Cash and cash equivalents	43 834 279	10 597 486		
Current Account (Primary Account)	6 224 234	4 565 038		
Call Account Deposits	37 610 045	6 032 448		
Consolidated Cash Book balance at end of the year	951 893 560	200 198 494		
Banking facilities with ABSA:				
- Financial guarantees	4 034 000	0		
- Automated Clearing Bureau Credits limit	1 600 000 000	0		
- Daily limit	350 000 000	0		
- Automated Clearing Bureau Debits limit	15 000 000	0		
Banking Securities with ABSA:				
- Financial guarantees	3 272 000	3 272 000		
- Outward guarantees	3 590 990	3 590 990		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Economic Entity		Municipality	
	2020	Restated 2019	2020	Restated 2019
	R	R	R	R
20 PROPERTY RATES				
<u>Actual</u>				
Residential	1 059 422 281	920 279 876	1 059 422 281	920 279 876
Commercial	1 053 750 487	976 314 241	1 053 750 487	976 314 241
State	166 577 672	154 167 598	166 577 672	154 167 598
Other	83 620 891	76 546 725	83 620 891	76 546 725
	2 363 371 331	2 127 308 440	2 363 371 331	2 127 308 440
Refer Restatement Note no. 40.1.6				
As per the Municipal Property Rates Act, the latest date of valuation was 1 July 2016, with the implementation date being 1 July 2017 and is valid until 30 June 2021.				
*Other includes Agricultural, Public Service Infrastructure and Vacant Properties. These amounts are reflected excluding VAT.				
<u>Valuations</u>	R'000	R'000	R'000	R'000
Residential	97 471 716	96 907 099	97 471 716	96 907 099
Commercial	46 079 096	45 918 312	46 079 096	45 918 312
State	6 639 603	8 513 357	6 639 603	8 513 357
Other	8 454 555	6 688 553	8 454 555	6 688 553
	158 644 970	158 027 321	158 644 970	158 027 321
21.1 SERVICE CHARGES				
Sale of Electricity	3 715 710 804	3 687 351 541	3 717 443 930	3 688 405 762
Sale of Water	1 185 069 210	850 693 871	1 185 069 210	850 693 871
Service delivery - sale of inventory	4 900 780 014	4 538 045 412	4 902 513 140	4 539 099 633
Refuse Removal	247 680 809	192 753 629	247 680 809	192 753 629
Sewerage and Sanitation charges	650 334 620	536 186 265	650 334 620	536 186 265
Service delivery - sale of services	898 015 429	728 939 894	898 015 429	728 939 894
	5 798 795 443	5 266 985 306	5 800 528 569	5 268 039 527
Refer Restatement Note no. 40.1.2				
21.2 FINES, PENALTIES AND FORFEITS				
Fines (Library and Traffic)	224 357 770	216 026 862	224 357 770	216 026 862
Included in Fines above are Traffic fines shown as follows:				
Fines issued for the year	78 371 200	171 834 050	78 371 200	171 834 050
Impaired, based on collection rate	(78 371 200)	(128 886 451)	(78 371 200)	(128 886 451)
Net fines collected	0	42 947 599	0	42 947 599
Refer Restatement Note no. 40.1.5				

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

22	TRANSFERS AND SUBSIDIES	Economic Entity		Municipality	
		2020	Restated 2019	2020	Restated 2019
		R	R	R	R
	PHB Subsidies (See Note 22.1)	580 372	2 667 132	580 372	2 667 132
	Equitable Share Allocation (See Note 22.2)	1 021 661 000	939 530 000	1 021 661 000	939 530 000
	Finance Management Grant (See Note 22.3)	930 338	982 577	930 338	982 577
	Provincial Government Grants: Library Services (See Note 22.6)	15 870 000	15 870 000	15 870 000	15 870 000
	Public Transport Networks Operations Grant (See Note 22.7.2)	42 021 706	86 681 950	42 021 706	86 681 950
	EU Sector Policy Support Project (See Note 22.9)	0	0	0	0
	Health Subsidies (See Note 22.10)	0	259 013	0	259 013
	Other Grants (See Note 22.11)	30 459 786	6 252 059	3 449 317	3 798 064
	Government Grant Revenue (See Note 22.12)	633 075 405	1 172 475 528	633 075 405	1 172 475 528
	National Lotteries Grant (See Note 22.13)	0	172 730	0	172 730
	Urban Settlements Development Grant (See Note 22.16)	75 955 198	37 971 982	75 955 198	37 971 982
	Infrastructure Skills Development Grant (See Note 22.17)	9 443 198	11 609 633	9 443 198	11 609 633
	EPWP Incentive Grant (See Note 22.18)	8 944 405	5 592 646	8 944 405	5 592 646
	Department of Public Service and Administration (See Note 22.19)	0	1 224 552	0	1 224 552
	Integrated City Development Grant (See Note 22.20)	0	688 791	0	688 791
	Department of Roads and Public Works Grant (See Note 22.22)	5 264 926	9 063 928	5 264 926	9 063 928
	LGSETA Discretionary Learnership Funding (See Note 22.23)	3 880 852	2 760 747	3 880 852	2 760 747
	Fuel levy Allocation (See Note 22.25)	690 344 000	623 566 000	690 344 000	623 566 000
	Other Transfers (See Note 22.26)	91 871 599	174 604 228	91 871 599	174 604 228
	Public Contributions (See Note 22.27)	17 218 824	23 775 239	17 218 824	23 775 239
	Municipal Emergency Housing Grant (See Note 22.28)	0	7 125 020	0	7 125 020
		2 647 521 609	3 122 873 755	2 620 511 140	3 120 419 760

Total Grant Receipts	2 367 226 477	3 316 110 814	2 337 322 610	3 310 312 455
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22.1 PHB Subsidies

This Grant is received from Provincial Government and is used for the construction of low cost housing.

Balance at beginning of year	1 200 000	1 874 751	1 200 000	1 874 751
Current year receipts	580 372	3 421 189	580 372	3 421 189
Interest received	82 405	136 230	82 405	136 230
Debtor raised	210 320 726	213 744 952	210 320 726	213 744 952
Reversal of prior year accrual	(210 320 726)	(215 173 760)	(210 320 726)	(215 173 760)
Interest paid over to Provincial Treasury	(82 405)	(136 230)	(82 405)	(136 230)
Conditions met - Transferred to revenue	(580 372)	(2 667 132)	(580 372)	(2 667 132)
Conditions still to be met - transferred to liabilities	1 200 000	1 200 000	1 200 000	1 200 000

22.2 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Balance unspent at beginning of year	0	0	0	0
Current year receipts	766 246 000	939 530 000	766 246 000	939 530 000
Debtor raised - Refer Note 16	255 415 000	0	255 415 000	0
Transferred to revenue	(1 021 661 000)	(939 530 000)	(1 021 661 000)	(939 530 000)
Conditions met	0	0	0	0

22.3 Finance Management Grant

This grant is used in the financial reform project under the guidance of National Treasury.

Balance unspent at beginning of year	0	0	0	0
Current year receipts	1 000 000	1 000 000	1 000 000	1 000 000
Conditions met - Transferred to Other Income - VAT portion	(69 662)	(17 423)	(69 662)	(17 423)
Conditions met - Transferred to revenue	(930 338)	(982 577)	(930 338)	(982 577)
Conditions met	0	0	0	0

22.4 Smart Grid Initiative

This Grant is used to develop innovative, interactive and improved technological solutions to deal with revenue enhancement.

Balance unspent at beginning of year	711 836	711 836	711 836	711 836
Current year receipts	0	9 884 259	0	9 884 259
Conditions met - Transferred to revenue - capital	0	(9 884 259)	0	(9 884 259)
Debtor (reversed) / raised				
Conditions still to be met - transferred to liabilities	711 836	711 836	711 836	711 836

22.5 Provincial Department of Human Settlements: Accreditation Grant

This Grant is used for capacity building of level 3 accreditation in the preparation of NMBM in the Human Settlements matters.

Balance unspent at beginning of year	1 973 952	1 973 952	1 973 952	1 973 952
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	0	0	0	0
Conditions still to be met - transferred to liabilities	1 973 952	1 973 952	1 973 952	1 973 952

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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22	TRANSFERS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
		2020	Restated 2019	2020	Restated 2019
		R	R	R	R
22.6 Provincial Government Grants: Library Services					
This grant is received from the Provincial Government and used to subsidise Libraries.					
Balance at beginning of year		0	0	0	0
Current year receipts		15 870 000	15 870 000	15 870 000	15 870 000
Conditions met - Transferred to revenue		(15 870 000)	(15 870 000)	(15 870 000)	(15 870 000)
Conditions met		0	0	0	0
22.7.1 Public Transport Infrastructure Grant					
This Grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport infrastructure.					
Balance unspent at beginning of year		16 424 050	27 074 669	16 424 050	27 074 669
Transfer from Public Transport Networks Operations Grant		0	65 972 595	0	65 972 595
		16 424 050	93 047 264	16 424 050	93 047 264
Current year receipts		61 846 000	123 065 000	61 846 000	123 065 000
Conditions met - Transferred to revenue - capital		(61 196 987)	(172 613 544)	(61 196 987)	(172 613 544)
Debtor accrual raised - Refer Note 16		98 154 007	0	98 154 007	0
Transfer to E-Share		(16 424 050)	(27 074 670)	(16 424 050)	(27 074 670)
Conditions still to be met - transferred to liabilities		98 803 020	16 424 050	98 803 020	16 424 050
22.7.2 Public Transport Networks Operations Grant					
This grant is to provide supplementary operational funding to Municipalities in order to operationalise the IPTS project within NMBM.					
Balance unspent at beginning of year		0	184 545	0	184 545
Current year receipts		138 134 000	152 470 000	138 134 000	152 470 000
Transfer to Public Transport Infrastructure Grant		0	(65 972 595)	0	(65 972 595)
Conditions met - Transferred to revenue		(42 021 706)	(86 681 950)	(42 021 706)	(86 681 950)
Conditions still to be met - transferred to liabilities		96 112 294	0	96 112 294	0
22.8 Integrated National Electrification Programme Grant					
This Grant is used to fund electricity connections and upon application also the upgrade of the Electricity infrastructure in order to install these electricity connections.					
Balance unspent at beginning of year		0	5 704 926	0	5 704 926
Transfer to E-Share		0	(5 704 926)	0	(5 704 926)
Current year receipts		0	19 503 000	0	19 503 000
Conditions met - Transferred to revenue - capital		0	(16 959 140)	0	(16 959 140)
Conditions met - Transferred to Other Income - VAT portion		0	(2 543 860)	0	(2 543 860)
Conditions met		0	0	0	0
22.9 EU Sector Policy Support Project					
This Grant is received from the European Union to fund various authorised developmental projects within certain designated targeted areas of the NMBM (i.e Motherwell).					
Balance unspent at beginning of year		1 744 599	1 744 599	1 744 599	1 744 599
Current year receipts		0	0	0	0
Conditions still to be met - transferred to liabilities		1 744 599	1 744 599	1 744 599	1 744 599
22.10 Health Subsidies					
This grant is received from the Provincial Government and used in the Health function.					
Balance unspent at beginning of year		0	0	0	0
Debtor raised		0	259 013	0	259 013
Conditions met - Transferred to revenue		0	(259 013)	0	(259 013)
Conditions met		0	0	0	0

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NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

22	TRANSFERS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
		2020	Restated 2019	2020	Restated 2019
		R	R	R	R
22.11 Other Grants					
These are grants received by the NMBM for various purposes.					
Balance unspent at beginning of year		3 849 447	777 283	1 306 400	1 735 658
Current year receipts		32 936 590	9 759 880	3 032 723	3 961 521
Debtors accrual raised/ reversed		(380 696)	157 058	0	0
Transfer to Other Revenue		0	(592 715)	0	(592 715)
Conditions met - Transferred to revenue		(30 459 786)	(6 252 059)	(3 449 317)	(3 798 064)
Conditions still to be met - transferred to liabilities		5 945 555	3 849 447	889 806	1 306 400
22.12 Government Grant Revenue					
Relates to the Funding of Capital Projects financed by Government Grants which are disclosed under Government Grants and Subsidies.					
		633 075 405	1 172 475 528	633 075 405	1 172 475 528
22.13 National Lotteries Grant					
This grant is used to fund Art and Culture programmes					
Balance unspent at beginning of year		1 305 131	1 477 861	1 305 131	1 477 861
Current year receipts		0	0	0	0
Conditions met - Transferred to revenue		0	(172 730)	0	(172 730)
Conditions still to be met - transferred to liabilities		1 305 131	1 305 131	1 305 131	1 305 131
22.14.1 CDC Walmer Intervention Funding Grant					
This grant is used to speed up service delivery intervention in Walmer Gqebera township.					
Balance unspent at beginning of year		9 068 420	9 068 420	9 068 420	9 068 420
Current year receipts		0	0	0	0
Debtor raised		0	0	0	0
Conditions met - Transferred to revenue - Capital		0	0	0	0
Conditions still to be met - transferred to liabilities		9 068 420	9 068 420	9 068 420	9 068 420
22.15 Neighbourhood Partnership Development Grant					
This grant is used for the urban renewal of certain targeted / designated townships.					
Balance unspent at beginning of year		0	4 325 066	0	4 325 066
Transfer to E-share		0	(4 325 066)	0	(4 325 066)
Current year receipts		15 000 000	0	15 000 000	0
Conditions met - Transferred to revenue - capital		(10 360 866)	0	(10 360 866)	0
Debtor accrual raised - Refer Note 16		10 000 000	0	10 000 000	0
Conditions met - Transferred to Other Income - VAT		(1 554 130)	0	(1 554 130)	0
Conditions still to be met - transferred to liabilities		13 085 004	0	13 085 004	0
22.16 Urban Settlements Development Grant					
This grant is used to improve urban land production to the benefit of poor households as well as improving spatial integration and densities.					
Balance unspent at beginning of year		45 466 978	0	45 466 978	0
Transfer to E-Share - Owing to NT		(12 081 712)	0	(12 081 712)	0
Current year receipts		585 411 000	1 105 664 000	585 411 000	1 105 664 000
Conditions met - Transferred to revenue - capital		(539 666 935)	(879 113 885)	(539 666 935)	(879 113 885)
Conditions met - Transferred to Other Income - VAT portion		(86 106 232)	(143 111 155)	(86 106 232)	(143 111 155)
Debtor accrual raised - Refer Note 16		390 274 000	0	390 274 000	0
Conditions met - Transferred to revenue		(75 955 198)	(37 971 982)	(75 955 198)	(37 971 982)
Conditions still to be met - transferred to liabilities		307 341 901	45 466 978	307 341 901	45 466 978
22.17 Infrastructure Skills Development Grant					
This grant is used for skills development in certain targeted service delivery directorates.					
Balance unspent at beginning of year		0	3 646 465	0	3 646 465
Transfer to E-Share - Owing to NT		0	(3 646 465)	0	(3 646 465)
Current year receipts		9 500 000	11 834 000	9 500 000	11 834 000
Conditions met - Transferred to revenue		(9 443 198)	(11 609 633)	(9 443 198)	(11 609 633)
Conditions met - Transferred to Other Income - VAT portion		(56 802)	(224 367)	(56 802)	(224 367)
Conditions met		0	0	0	0
22.18 EPWP Incentive Grant					
This grant is used to implement expanded public works programme.					
Balance unspent at beginning of year		1 091 282	0	1 091 282	0
Transfer to E-Share - Owing to NT		(1 091 282)	0	(1 091 282)	0
Current year receipts		8 950 000	6 711 000	8 950 000	6 711 000
Conditions met - Transferred to revenue		(8 944 405)	(5 592 646)	(8 944 405)	(5 592 646)
Conditions met - Transferred to Other Income - VAT portion		(5 595)	(27 072)	(5 595)	(27 072)
Conditions met		0	1 091 282	0	1 091 282

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	Economic Entity		Municipality	
	2020	Restated 2019	2020	Restated 2019
	R	R	R	R
22 TRANSFERS AND SUBSIDIES (Continued)				
22.19 Department of Public Service and Administration Grant				
This grant is used for the improvement of front -line public service delivery in South Africa.				
Balance unspent at beginning of year	0	241 156	0	241 156
Current year receipts	0	983 396	0	983 396
Conditions met - Transferred to revenue	0	(1 224 552)	0	(1 224 552)
Conditions met	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
22.20 Intergrated City Development Grant				
This grant is used for the development of more inclusive, liveable, productive and sustainable urban built environments in the metropolitan municipalities.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	12 697 000	12 355 000	12 697 000	12 355 000
Conditions met - Transferred to revenue - capital	(10 735 422)	(10 054 687)	(10 735 422)	(10 054 687)
Conditions met - Transferred to Other Income - VAT portion	(1 610 313)	(1 611 522)	(1 610 313)	(1 611 522)
Conditions met - Transferred to revenue	0	(688 791)	0	(688 791)
Conditions still to be met - transferred to liabilities	<u>351 265</u>	<u>0</u>	<u>351 265</u>	<u>0</u>
22.21 Drought Relief Grant				
The grant is used fro responding to the immediate communities needs with the aim to alleviate the immediate consequences of drought within the municipality.				
Balance unspent at beginning of year	118 477 611	0	207 695 396	89 217 785
Transfer to E-Share	(6 833 954)	(18 494 873)	(6 833 954)	(18 494 873)
Current year receipts	0	233 400 000	0	233 400 000
Conditions met - Transferred to revenue - capital	(11 115 196)	(83 850 014)	(11 115 196)	(83 850 014)
Conditions met - Transferred to revenue - VAT	(1 667 279)	(12 577 502)	(1 667 279)	(12 577 502)
Conditions still to be met - transferred to liabilities	<u>98 861 182</u>	<u>118 477 611</u>	<u>188 078 967</u>	<u>207 695 396</u>
22.22 Department of Roads and Public Works Grant				
This grant is used to fund the maintenance of Provincial roads in the Metropolitan area				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	6 145 485	10 579 870	6 145 485	10 579 870
Conditions met - Transferred to revenue	(5 264 926)	(9 063 928)	(5 264 926)	(9 063 928)
Conditions met - Transferred to Other Income	(78 974)	(135 959)	(78 974)	(135 959)
Conditions met - Transferred to revenue - VAT	(801 585)	(1 379 983)	(801 585)	(1 379 983)
Conditions met	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
22.23 LGSETA Discretionary Learnership Funding				
This grant is used to facilitate access to skills development, education and training in the local government sector and community in general.				
Balance unspent at beginning of year	6 400 690	3 547 477	6 400 690	3 547 477
Current year receipts	5 347 206	5 613 960	5 347 206	5 613 960
Conditions met - Transferred to revenue	(3 880 852)	(2 760 747)	(3 880 852)	(2 760 747)
Conditions still to be met - transferred to liabilities	<u>7 867 044</u>	<u>6 400 690</u>	<u>7 867 044</u>	<u>6 400 690</u>
22.24 Provincial Department Agency: Communication Grant				
This grant is used for the roll out pf public Wi-Fi to all Municipapl Libraries, Customer Care centres and Traffic Licensing centres.				
Balance unspent at beginning of year	872 782	872 782	872 782	872 782
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	0	0	0	0
Conditions still to be met - transferred to liabilities	<u>872 782</u>	<u>872 782</u>	<u>872 782</u>	<u>872 782</u>
22.25 Fuel Levy				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	690 344 000	623 566 000	690 344 000	623 566 000
Transferred to revenue	(690 344 000)	(623 566 000)	(623 566 000)	(623 566 000)
Conditions met	<u>0</u>	<u>0</u>	<u>66 778 000</u>	<u>0</u>
22.26 Other Transfers				
Balance unspent at beginning of year				
Relates to the Funding of VAT on Capital and Operating Projects	91 871 599	174 604 228	91 871 599	174 604 228
22.27 Public Contributions				
Balance unspent at beginning of year				
Relates to the Funding of Capital Projects from Donations	17 218 824	23 775 240	17 218 824	23 775 240
22.28 Municipal Emergency Housing Grant				
This grant is used to provide funding to municipalities for provision of temporary shelter assistance to households affected by disasters				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	0	7 125 020	0	7 125 020
Conditions met - Transferred to revenue	0	(7 125 020)	0	(7 125 020)
Conditions met	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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	Economic Entity		Municipality	
	2020	Restated 2019	2020	Restated 2019
23.1 RENTAL OF FACILITIES AND EQUIPMENT	R	R	R	R
Hire of Halls	2 296 231	3 419 410	2 296 231	3 419 410
Hire of Containers	4 371 269	4 247 543	4 371 269	4 247 543
Hire of Buildings	3 405 834	11 680 437	3 405 834	11 680 437
Resorts rentals	480 000	480 000	480 000	480 000
Rentals of Sporting Facilities	799 900	619 144	799 900	619 144
Rentals: Other	6 985 252	6 352 128	6 985 252	6 352 128
Accommodation rentals	4 635 980	6 359 895	4 635 980	6 359 895
	22 974 466	33 158 557	22 974 466	33 158 557
23.2 OTHER REVENUE	R	R	R	R
Operational Revenue: Administrative Handling Fees	96 223	1 753 416	96 223	1 753 416
Operational Revenue: Inspection Fees	3 379 468	4 830 670	3 379 468	4 830 670
Operational Revenue: Commission	14 762 807	15 093 094	14 762 807	15 093 094
Sales of Goods and Rendering of Services: Building Plan Approval	8 365 853	11 286 714	8 365 853	11 286 714
Sales of Goods and Rendering of Services: Academic Services	512 980	2 901 535	512 980	2 901 535
Sales of Goods and Rendering of Services: Advertisements	4 656 505	4 702 345	4 656 505	4 702 345
Sales of Goods and Rendering of Services: Cemetery and Burial	9 881 691	10 754 119	9 881 691	10 754 119
Sales of Goods and Rendering of Services: Entrance Fees	6 315 393	21 692 320	6 315 393	21 692 320
Sales of Goods and Rendering of Services: Transport Fees	10 444 258	17 006 740	10 444 258	17 006 740
Sales of Goods and Rendering of Services: Scrap, Waste & Other				
Goods: Recycling of Waste	9 410 682	12 081 958	9 410 682	12 081 958
Sales of Goods and Rendering of Services: Legal Fees	13 328 491	11 512 231	13 328 491	11 512 231
Sales of Goods and Rendering of Services: Other	6 696 091	9 589 901	6 696 091	9 589 901
Operational Revenue: Other	12 974 327	5 984 066	12 974 327	5 984 066
	100 824 769	129 189 109	100 824 769	129 189 109
Other Revenue - MBDA	2 483 500	2 857 379	0	0
	103 308 269	132 046 488	100 824 769	129 189 109
Refer Restatement Note no. 40.1.4				
24 EMPLOYEE RELATED COSTS				
Employee related costs - Municipal Staff - Salaries and Wages	1 995 369 378	1 834 082 691	1 995 369 378	1 834 082 691
Employee related costs - Senior Management - Salaries and Wages	14 787 052	13 037 633	14 787 052	13 037 633
Employee related costs - Municipal Staff - Social Contributions	454 401 220	745 416 860	454 401 220	745 416 860
Employee related costs - Senior Management - Social Contributions	12 758	10 708	12 758	10 708
Employee related costs - Municipal Staff - Allowances	207 405 433	146 613 613	207 405 433	146 613 613
Housing benefits	13 096 470	12 274 270	13 096 470	12 274 270
Overtime payouts	303 699 722	252 878 836	303 699 722	252 878 836
Performance bonus: Municipal Staff	34 664 644	35 005 747	34 664 644	35 005 747
Performance bonus: Senior Management	1 584 140	1 462 865	1 584 140	1 462 865
Long-service Awards/ Bonuses	52 998 837	172 362 663	52 998 837	172 362 663
	3 078 019 654	3 213 145 886	3 078 019 654	3 213 145 886
Employee related costs - MBDA - Salaries and Wages	27 590 746	23 052 037	0	0
Employee related costs - MBDA - Directors Remuneration	1 312 000	909 500	0	0
Employee related costs - MBDA - Social Contributions	6 336 672	5 309 962	0	0
Employee related costs - MBDA - Allowances	48 000	70 000	0	0
Performance bonus - MBDA	1 421 321	1 112 723	0	0
Long-service Awards/ Bonuses - MBDA	56 804	38 573	0	0
	36 765 543	30 492 795	0	0
	3 114 785 197	3 243 638 681	3 078 019 654	3 213 145 886
Refer Restatement Note no. 40.2.1				
Remuneration of the City Manager (Previous)				
Annual Remuneration/ Severance package	2 603 160	2 603 160	2 603 160	2 603 160
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	2 603 160	2 603 160	2 603 160	2 603 160
Remuneration of the Chief Financial Officer				
Annual Remuneration	1 064 104	0	1 064 104	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	1 064 104	0	1 064 104	0
Remuneration of the Chief Operating Officer - Current				
Annual Remuneration	704 713	0	704 713	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	60 000	0	60 000	0
Total	764 713	0	764 713	0
Remuneration of the Chief Operating Officer - Previous				
Annual Remuneration	1 137 248	2 018 784	1 137 248	2 018 784
Travel, Subsistence, UIF, Medical, Pension Funds, Other	60 840	108 000	60 840	108 000
Total	1 198 088	2 126 784	1 198 088	2 126 784
Remuneration of the Chief of Staff - Current				
Annual Remuneration	1 224 432	170 220	1 224 432	170 220
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	129 630	0	129 630
Total	1 224 432	299 850	1 224 432	299 850
Remuneration of the Chief of Staff - Previous				
Annual Remuneration	0	958 090	0	958 090
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	0	958 090	0	958 090

Remuneration of the Chief of Police

Annual Remuneration	1 603 704	1 603 704	1 603 704	1 603 704
Travel, Subsistence, UIF, Medical, Pension Funds, Other	144 000	144 000	144 000	144 000
Total	1 747 704	1 747 704	1 747 704	1 747 704

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24 EMPLOYEE RELATED COSTS (Continued)	Economic Entity		Municipality	
	2020 R	Restated 2019 R	2020 R	Restated 2019 R
Remuneration of Individual Executive Directors				
Corporate Services (Acting in place)				
Annual Remuneration	0	0	0	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
	0	0	0	0
Economic Development, Tourism and Agriculture				
Annual Remuneration	1 849 791	1 736 112	1 849 791	1 736 112
Travel, Subsistence, UIF, Medical, Pension Funds, Other	184 780	192 000	184 780	192 000
	2 034 571	1 928 112	2 034 571	1 928 112
Infrastructure and Engineering				
Annual Remuneration	2 036 543	1 928 112	2 036 543	1 928 112
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
	2 036 543	1 928 112	2 036 543	1 928 112
Electricity and Energy				
Annual Remuneration	1 053 660	0	1 053 660	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
	1 053 660	0	1 053 660	0
Safety and Security				
Remuneration for 7 months	1 862 868	1 862 868	1 862 868	1 862 868
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	35 300	0	35 300
	1 862 868	1 898 168	1 862 868	1 898 168
Human Settlements (Vacant) (Acting in place)				
Annual Remuneration	0	1 946 352	0	1 946 352
	0	1 946 352	0	1 946 352
Sports, Recreation, Arts and Culture				
Annual Remuneration	1 874 282	1 748 112	1 874 282	1 748 112
Travel, Subsistence, UIF, Medical, Pension Funds, Other	176 400	208 534	176 400	208 534
	2 050 682	1 956 646	2 050 682	1 956 646
Public Health (Vacant) (Acting in place)				
Annual Remuneration	0	0	0	0
	0	0	0	0
Remuneration of the Chief Executive Officer - MBDA				
Annual Remuneration	2 225 507	2 219 685	0	0
Car allowance	0	0	0	0
Total	2 225 507	2 219 685	0	0
Remuneration of the Chief Financial Officer 1 - MBDA				
Annual Remuneration	1 702 199	493 750	0	0
Performance Bonuses	0	0	0	0
Car allowance	0	0	0	0
Total	1 702 199	493 750	0	0
Remuneration of the Chief Financial Officer 2 / Chief Risk Officer / Compliance Executive - MBDA				
Annual Remuneration	0	1 169 119	0	0
Performance Bonuses	0	54 460	0	0
Car allowance /Acting allowance	0	1 266 404	0	0
Total	0	2 489 983	0	0
Remuneration of the Operations Executive/ Manager - MBDA				
Annual Remuneration	1 710 275	1 057 446	0	0
Performance Bonuses	51 199	0	0	0
Car allowance /Acting allowance	0	223 918	0	0
Total	1 761 474	1 281 364	0	0
Remuneration of the Stadium Manager - MBDA				
Annual Remuneration	1 247 129	1 119 713	0	0
Car allowance	24 000	24 000	0	0
Acting Allowance / Performance Bonus	62 042	50 000	0	0
Total	1 333 171	1 193 713	0	0
Remuneration of the Company Secretary - MBDA				
Annual Remuneration	1 069 726	871 711	0	0
Performance Bonuses	0	37 500	0	0
Total	1 069 726	909 211	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Economic Entity		Municipality	
	2020	Restated 2019	2020	Restated 2019
	R	R	R	R
30 SIGNIFICANT ITEMS IN THE STATEMENT OF FINANCIAL PERFORMANCE				
30.1 CONTRACTED SERVICES				
Is made up as follows:				
Consultants and Professional Services:Business and Advisory	16 720 103	25 583 405	16 720 103	25 583 405
Consultants and Professional Services:Infrastructure and Planning:Town Planner	24 141 839	24 440 738	24 141 839	24 440 738
Consultants and Professional Services:Laboratory Services	243 712	138 443	243 712	138 443
Consultants and Professional Services:Legal Cost	46 867 118	66 555 536	46 867 118	66 555 536
Contractors:Building	900 986	3 504 255	900 986	3 504 255
Contractors:Other	21 125 162	28 934 366	21 125 162	28 934 366
Contractors:Maintenance of Buildings and Facilities	44 259 725	90 277 469	44 259 725	90 277 469
Contractors:Maintenance of Equipment	113 957 372	162 437 355	113 957 372	162 437 355
Contractors:Maintenance of Unspecified Assets	17 317 253	48 796 174	17 317 253	48 796 174
Contractors:Sewerage Services	39 813 314	51 271 301	39 813 314	51 271 301
Contractors:Management of Informal Settlements	1 463 502	9 185 976	1 463 502	9 185 976
Contractors:Safeguard and Security	910 313	796 043	910 313	796 043
Contractors:Transportation	32 234 539	35 103 640	32 234 539	35 103 640
Outsourced Services:Other	11 863 418	16 601 049	11 863 418	16 601 049
Outsourced Services:Alien Vegetation Control	1 934 680	1 558 460	1 934 680	1 558 460
Outsourced Services:Animal Care	580 652	618 453	580 652	618 453
Outsourced Services:Business and Advisory:Project Management	128 478 741	226 031 318	128 478 741	226 031 318
Outsourced Services:Clearing and Grass Cutting Services	16 145 869	25 367 075	16 145 869	25 367 075
Outsourced Services:Electrical	21 677 816	27 346 334	21 677 816	27 346 334
Outsourced Services:Hygiene Services	34 082 915	31 207 902	34 082 915	31 207 902
Outsourced Services:Illegal Dumping	5 488 190	7 667 840	5 488 190	7 667 840
Outsourced Services:Litter Picking and Street Cleaning	5 699 326	16 209 968	5 699 326	16 209 968
Outsourced Services:Meter Management	10 050 042	10 947 976	10 050 042	10 947 976
Outsourced Services:Refuse Removal	28 624 581	10 888 357	28 624 581	10 888 357
Outsourced Services:Security Services	2 540 834	68 551 525	2 540 834	68 551 525
Outsourced Services:Traffic Fines Management	6 466 499	15 015 624	6 466 499	15 015 624
Outsourced Services:Transport Services	16 272	154 184	16 272	154 184
Contractors: MBDA	13 655 089	12 401 662	0	0
	647 259 862	1 017 592 428	633 604 773	1 005 190 766
Refer Restatement Note no. 40.2.2				
30.2 OTHER EXPENDITURE				
Is made up as follows:				
Operating Leases: Various Assets	31 190 337	37 581 850	31 190 337	37 581 850
Operational Cost:Advertising, Publicity and Marketing	20 569 817	8 913 844	20 569 817	8 913 844
Operational Cost:Other	96 275 006	33 013 095	96 275 006	33 013 095
Operational Cost: Municipal Services	34 504 647	37 362 345	34 504 647	37 362 345
Operational Cost:External Computer Service	76 091 798	95 248 572	76 091 798	95 248 572
Operational Cost:Hire Charges	117 270 955	102 330 133	117 270 955	102 330 133
Operational Cost:Insurance Underwriting	15 343 325	10 779 901	15 343 325	10 779 901
Operational Cost:Intercompany/Parent-subsidiary Transactions	1 882 499	1 293 842	1 882 499	1 293 842
Operational Cost:Licences	4 779 558	7 477 013	4 779 558	7 477 013
Operational Cost:Commission:Prepaid Electricity and Third Party Vendors	21 920 801	18 963 054	21 920 801	18 963 054
Operational Cost:Communication	36 690 459	37 557 289	36 690 459	37 557 289
Operational Cost:Registration Fees	1 472 245	4 436 235	1 472 245	4 436 235
Operational Cost:Skills Development Fund Levy	27 460 745	25 384 086	27 460 745	25 384 086
Operational Cost:Travel and Subsistence	3 113 585	7 113 851	3 113 585	7 113 851
Operational Cost:Uniform and Protective Clothing	11 833 939	13 819 435	11 833 939	13 819 435
Operational Cost:Workmen's Compensation Fund	5 924 097	6 246 595	5 924 097	6 246 595
Operational Cost: MBDA	61 696 882	67 941 007	0	0
	568 020 695	515 462 147	506 323 813	447 521 140
Refer Restatement Note no. 40.2.3				
30.3 OTHER MATERIALS				
Is made up as follows:				
Consumables: Standard	96 279 981	55 594 281	96 279 981	55 594 281
Consumables: Zero-rated	54 657 965	58 866 316	54 657 965	58 866 316
Finished Goods	23 165 830	13 216 962	23 165 830	13 216 962
Materials and Supplies	31 636 026	31 372 082	31 636 026	31 372 082
	205 739 802	159 049 641	205 739 802	159 049 641
Refer Restatement Note no. 40.2.4				
31 DEPRECIATION AND AMORTISATION				
31.1 Depreciation - Property, Plant and Equipment	958 299 541	882 390 640	957 211 505	881 678 588
31.2 Amortisation	113 717 663	90 833 288	113 692 955	90 814 045

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Economic Entity		Municipality	
	2020 R	Restated 2019 R	2020 R	Restated 2019 R
32 CASH GENERATED FROM OPERATIONS				
Surplus for the year	994 740 602	1 187 004 186	992 700 604	1 179 964 192
Adjustment for:				
Interest accrued	-39 494 287	-62 488 861	-39 494 287	-62 488 861
Impairment of receivables	676 795 051	508 976 951	676 795 051	508 976 951
Write down to net realisable value	33 374	1 169 595	33 374	1 169 595
Depreciation	958 299 578	882 390 640	957 211 542	881 678 588
Amortisation	113 717 663	90 833 288	113 692 955	90 814 045
Finance cost accrued	3 170 968	2 952 243	3 170 968	2 952 243
Contribution to provisions / employee benefit obligation - non-current	(221 333 751)	234 109 999	-221 333 751	234 109 999
Contribution to provisions / employee benefit obligation - current	84 702 582	52 314 252	82 304 870	50 677 470
Unrealised gain to Sanlam shares	786 463	(1 376 363)	786 463	(1 376 363)
Loss on Disposal of Property Plant and Equipment	0	1 190 151	0	1 188 260
Write-off of lease asset and deferred income	158 155	0	0	0
Impairment of PPE / Heritage Assets/ Fines	95 380 718	15 820 657	95 380 718	15 820 657
Impairment of Fines	78 371 200	128 886 451	78 371 200	128 886 451
Fines Income accrued	(98 147 714)	(166 715 221)	(98 147 714)	(166 715 221)
PPE Take-on	(34 794 113)	(39 052 865)	(34 794 113)	(39 052 865)
Operating Surplus before working capital changes	2 612 386 489	2 836 015 103	2 606 677 880	2 826 605 141
(Increase) / Decrease in Inventory	-21 124 974	28 624 627	(21 138 406)	28 262 469
Increase in Trade Receivables	(1 102 716 700)	(656 759 755)	(1 102 716 700)	(656 759 755)
Increase in Other Receivables	(672 474 090)	(13 211 562)	(668 474 277)	(14 295 893)
Decrease / (Increase) in VAT	103 399 152	102 076 223	92 778 508	110 662 349
(Decrease) / Increase in Trade and Other Payables	(1 884 877)	106 797 033	(2 098 815)	110 860 064
Increase/(Decrease) in Transfers and Subsidies	23 755 435	(19 456 591)	0	0
(Increase) / Decrease in Long-term Receivables	37 052 794	(12 592 027)	37 052 794	(12 592 027)
	978 393 229	2 371 493 051	942 080 984	2 392 742 348
33 MOVEMENT IN LONG-TERM LOANS (EXTERNAL)				
Loans raised	0	0	0	0
Loans repaid	(89 658 501)	(79 760 410)	(89 658 501)	(79 760 410)
	(89 658 501)	(79 760 410)	(89 658 501)	(79 760 410)
34 CASH AND CASH EQUIVALENTS				
Short-term Investment Deposits	2 309 903 834	3 009 413 994	2 309 903 834	3 009 413 994
Bank balances and cash	951 893 560	200 198 494	908 059 281	189 601 008
Total Cash and Cash Equivalents	3 261 797 394	3 209 612 488	3 217 963 115	3 199 015 002
35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
35.1 Contributions to organised local government				
Opening balance	0	0	0	0
Council subscriptions	14 900 000	14 100 000	14 900 000	14 100 000
Amount paid - current year	(14 900 000)	(14 100 000)	(14 900 000)	(14 100 000)
Balance unpaid (included in creditors)	0	0	0	0
35.2 Audit Fees				
Opening balance	375 224	196 905	375 224	196 905
Current year audit fee	27 324 554	23 501 497	26 179 896	22 412 517
Amount paid - current year	(27 324 554)	(23 126 273)	(26 179 896)	(22 037 293)
Amount paid - previous year	(375 224)	(196 905)	(375 224)	(196 905)
Balance unpaid (included in creditors)	0	375 224	0	375 224
35.3 VAT				
The Net effect of the VAT inputs and VAT output are shown in note 17. All VAT returns have been submitted by the due date throughout the year.				
35.4 PAYE and UIF				
Opening balance	40 376 476	33 753 626	40 376 476	33 753 626
Current year payroll deductions	546 659 623	493 713 737	536 777 173	485 603 145
Amount paid - current year	(501 110 369)	(453 337 261)	(491 952 049)	(445 226 669)
Amount paid - previous year	(40 376 476)	(33 753 626)	(40 376 476)	(33 753 626)
Balance unpaid (included in creditors)	45 549 254	40 376 476	44 825 124	40 376 476
35.5 PENSION AND MEDICAL DEDUCTIONS				
Opening balance	90 114	322 416	0	0
Current year payroll deductions and Council Contributions	826 375 526	761 623 402	818 565 738	754 343 760
Amount paid - current year	(826 716 962)	(761 855 704)	(818 565 738)	(754 343 760)
Balance unpaid (included in creditors)	(251 322)	90 114	0	0
35.6 SKILLS DEVELOPMENT LEVY				
Opening balance	2 125 119	1 879 401	2 125 119	1 879 401
Current year payroll deductions	22 563 267	25 370 698	22 563 267	25 370 698
Amount paid - current year	(22 563 267)	(23 245 579)	(22 563 267)	(23 245 579)
Amount paid - previous year	(2 125 119)	(1 879 401)	(2 125 119)	(1 879 401)
Balance unpaid (included in creditors)	0	2 125 119	0	2 125 119

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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35	DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	Economic Entity		Municipality	
		2020	Restated 2019	2020	Restated 2019
		R	R	R	R
	OTHER ADDITIONAL DISCLOSURES:				
	35.7 IMPAIRMENT				
	Impairment	<u>102 537 877</u>	<u>15 820 657</u>	<u>102 537 877</u>	<u>15 820 657</u>
	The Impairment relates to Intangible Assets.				
	No reversals for Impairment were applicable during the current financial year				
	35.8 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT				
	Loss on disposal of property, plant and equipment	<u>0</u>	<u>1 190 151</u>	<u>0</u>	<u>1 188 260</u>
	It must be noted that there were no Loss on Disposal of Property, Plant and Equipment.				
	It must be noted that there were no Gains on Disposal of Property, Plant and Equipment.				
	35.9 WATER LOSSES				
	The NMBM suffered water losses of 49,522 megalitres (46.3%) amounting to R65.5 million (2019: 44,220 megalitres (43.9%) amounting to R62.8 million) during the year. The value of the water losses have been based on cost for both years. Various water demand management interventions are being implemented to curb water losses.				
	The 46.3% of water losses are made up of apparent (commercial) losses (8.8%) and real (physical) losses (35%) and unbilled authorised consumption (2.5%) .				
	Apparent losses include unauthorised consumption from theft or illegal use, plus all technical and administrative inaccuracies associated with customer metering.				
	35.10 ELECTRICITY LOSSES				
	The NMBM suffered electricity losses of 20.30% amounting to total accumulative losses of R 558.63 million (2019: 15.47% amounting to R 484.18 million). Various electricity management interventions are being implemented to curb these losses are being implemented.				
	The Electricity losses as defined above are separated between technical (6% amounting to R 164,256,445) and non-technical losses (14.3% amounting to R 394,369,846). Technical losses are inherent losses in a distribution system and these includes copper losses, Iron losses and heat losses due to current flow. Public lighting includes traffic signals, Highmast and Streetlights. Non-Technical Losses can be attributed to theft that is illegal connections, meter tampering and non billed revenue due to faulty meters.				
	It must be further noted that the prescribed norms for electricity losses is +/- 10%.				

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NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1 Councillors' arrear consumer accounts

Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2020

	R	R
	<u>Arrangements</u>	<u>Outstanding more than 90 days</u>
Councillor TP Adams		1 105
Councillor ME Bobani		14 956
Councillor NM Booi		16 772
Councillor KK Boqwana	996	-
Councillor ML Boti		730
Councillor MS Breakfast		33 488
Councillor TCS Buyeye		10 759
Councillor MV Daniels		8 465
Councillor Z Dlula		17 904
Councillor V Dyele	8 368	-
Councillor G Faldtman	9 579	-
Councillor P Hermaans		894
Councillor AD Isaacs		1 690
Councillor B Jacobs		1 520
Councillor Z Kalani		18 871
Councillor RC Kayser		159 978
Councillor OH Kepe		398
Councillor L Kruger		503
Councillor AW Lungisa		1
Councillor ML Makunga	-	29 142
Councillor GD Maqula		2 102
Councillor L Mfana		1 623
Councillor GG Miggels		2 217
Councillor M Mngcokoca	628	-
Councillor L Mrara		385
Councillor NC Mtati		313
Councillor MJ Mtsila		285
Councillor SL Ncana		2 812
Councillor MM Nkosi		1 592
Councillor LX Nombexeza		4 390
Councillor SD Nzanzeka	11 488	-
Councillor RB Riordan		2 885
Councillor X Sabani		368
Councillor S Sijadu		68
Councillor L Sokudela	-	22 680
Councillor L Suka	5 452	-
Councillor A Tyokwana		1 821
Councillor PB Vani		1 460
	36 511	362 177

Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2019

	R	R
	<u>Arrangements</u>	<u>Outstanding more than 90 days</u>
Councillor TP Adams		23
Councillor ME Bobani		11 309
Councillor KK Boqwana		4
Councillor V Dyele	20 335	-
Councillor FVN Greyling		17
Councillor AD Isaacs		23
Councillor RC Kayser		36 159
Councillor AW Lungisa		1
Councillor GG Miggels		17
Councillor M Mngcokoca	7 296	-
Councillor L Mrara	-	616
Councillor SS Plaatjies	823	-
Councillor LP Qukubana	431	-
Councillor NE Sikweyiya	3 602	-
Councillor PB Vani		13
Councillor MM Zinto	4 765	-
	37 252	48 182

36.2 List of Entities and related transactions

1 Solely-controlled entities

The following entity is solely controlled by the NMBM and have received the following grants:

	Economic Entity	Municipality
	2020	2020
	R	R
Mandela Bay Development Agency (excluding VAT)	107 000 000	107 000 000
	98 001 225	98 001 225

Although a related party relationship does exist, the transactions were made in the ordinary course of business and as such the transactions do not constitute related party transactions as per the definition per IPSAS 20 on related parties. However these amounts have been included as the additional disclosure is required by the MFMA.

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NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

36	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)	Economic Entity		Municipality	
		2020	Restated 2019	2020	Restated 2019
		R	R	R	R
36.2 List of Entities and related transactions (Continued)					
2	Section 57 Employees (See note 24)				
3	Other Organisations				
	The Organisations have received the following grants / payments:				
	1. Uitenhage Despatch Development Initiative	0	0	0	0
	2. Nelson Mandela Bay Tourism	35 221	7 275 629	35 221	7 275 629
	3. Surf lifesaving Club	0	209 360	0	209 360
	Grants / payments to Other Organisations	35 221	7 484 989	35 221	7 484 989

Although a related party relationship does exist, the transactions were made in the ordinary course of business and as such the transactions do not constitute related party transactions as per the definition per IPSAS 20 on related parties. However these amounts have been included as the additional disclosure is required by the MFMA.

36.3 Suppliers in which close family members of employees, councillors/ directors or Mayor has an interest

Family of employees who have an interest in a government supplier.

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45 485 894 56 704 780

Although a related party relationship does exist as awards were made to suppliers in which close family members of employees have an interest, these transactions were in the ordinary course of business at market related rates. However this disclosure has been included as required by SCM regulation 45.

4 644 356 5 163 573

Although a related party relationship does exist, contracts were awarded to certain councillors and officials in which they have an interest. These transactions were made in the ordinary course of business at market related rates. However this disclosure has been included as required by SCM regulation 44.

36 537 136 10 927 719

36.4 Supply Chain Management Policy

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2019/20 financial year are detailed as follows in terms of section 36 (1) (a) of the Supply Chain Management Policy:

1. Nelson Mandela Bay Metropolitan Municipality		2020	Restated 2019
Deviations: Supply Chain Management Policy		Payments made R	Payments made R
(i)	In an emergency;	509 947	184 891
(ii)	If such goods or services are produced or available from a single provider only;	20 072 083	46 603 567
(iii)	For the acquisition of special works of art, artistic services or historical objects where specifications are difficult to compile;	0	0
(iv)	Acquisition of animals for zoos and/or nature and game reserves;	0	0
(v)	In any other exceptional cases where all possible options have been explored, and it is still impractical or impossible to follow the official procurement processes	0	0
	36 (1) (b) - Ratify any minor breaches of the procurement processes.	0	0

2. Mandela Bay Development Agency

2020 Financial year:

In accordance with section 36(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R624 427

In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R262 790

In accordance with section 36(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R0

In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R7 993 183

2019 Financial year:

In accordance with section 36(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R143 290

In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R459 769

In accordance with section 36(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R611 528

In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R10 198 556

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NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Economic Entity		Municipality	
	2020 R	Restated 2019 R	2020 R	Restated 2019 R
37 CAPITAL COMMITMENTS				
Approved and contracted for	681 291 243	638 453 299	681 291 243	638 453 299
Land and Buildings	0	6 111 957	0	6 111 957
Infrastructure	667 245 795	599 711 032	667 245 795	599 711 032
Community	12 836 437	16 255 659	12 836 437	16 255 659
Intangible	0	16 374 651	0	16 374 651
Other	1 209 011	0	1 209 011	0
Total	681 291 243	638 453 299	681 291 243	638 453 299
This expenditure will be financed from:				
Fuel Levy	31 869 382	78 886 152	31 869 382	78 886 152
Urban Settlements Development Grant (USDG)	596 287 331	458 494 155	596 287 331	458 494 155
Integrated Public Transport Grant	47 643 838	83 965 921	47 643 838	83 965 921
Capital Replacement Reserve	5 490 692	1 001 870	5 490 692	1 001 870
Neighbourhood Development Partnership Grant	0	2 478 866	0	2 478 866
Municipal Disaster Grant - Emergency Drought Relief	0	13 626 335	0	13 626 335
Total	681 291 243	638 453 299	681 291 243	638 453 299
38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term liabilities (See Note 3)	1 093 741 560	1 186 061 266	1 093 741 560	1 186 061 266
Used to Finance property, plant and equipment - at cost	1 093 741 560	1 186 061 266	1 093 741 560	1 186 061 266
Sub-total	0	0	0	0
Cash set aside for the repayment of long-term liabilities (See Note 3) - This is only the capital portion of the loan.	99 142 909	89 658 501	99 142 909	89 658 501
39 FINANCIAL RISK MANAGEMENT				

There have been no significant changes in the risks below from the prior year to current. The risks have remained the same.

Interest rate risk

The NMBM is not exposed to interest rate risk on its financial liabilities. All of the NMBM's interest-bearing external loan liabilities, as detailed in Note 3 are fixed interest loans. No interest rate swap agreements have been entered into. The NMBM invests its surplus funds in fixed interest rate deposits with banks for fixed terms not exceeding one year.

Liquidity risk

The liquidity risk is the risk that the NMBM is not able to settle its obligations. The NMBM manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. The NMBM has secured standby credit facilities in the form of an overdraft facility with its banker in order to cater for any unexpected temporary shortfall in operating funds. The maximum exposure to liquidity risk is the trade creditors and long term borrowings. Consumer deposits have a low exposure to liquidity risk.

The following table details the NMBMs remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the NMBM can be required to pay. The table includes both estimated interest and principal cash flows. A sensitivity analysis was not considered to be necessary.

Trade payables

1-3 months	2 527 051 965	2 469 528 583	2 485 896 294	2 434 965 409
> 3 months	97 103 200	103 810 789	97 103 200	103 810 789
	2 624 155 165	2 573 339 372	2 582 999 494	2 538 776 198

Long term borrowings

< 12 months	99 142 909	89 658 501	99 142 909	89 658 501
> 12 months	1 016 456 460	1 118 615 583	1 016 371 753	1 116 776 821

Credit risk

The NMBM manages credit risk in its borrowing and investing activities by dealing with only A-rated financial institutions, and by spreading its exposure over a range of such institutions in accordance with its approved Cash Management and Investments Policy. Credit risk relating to consumer debtors is managed in accordance with NMBM's credit control and debt collection policy. The NMBM's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in Note 15 to the financial statements. The maximum exposure to credit risk is the consumer debtors, which may reduce as a result of non-payment by debtors.

Refer to note 52 for table.

Fair value interest risk

The NMBM is exposed to fair value interest rate risk on its external loan liabilities, which are all fixed interest rates. The fair value of financial assets and liabilities are disclosed and compared with their carrying values. See note 52 for fair values of all financial liabilities. SANLAM shares is the only financial instrument and has a very low risk exposure and have been disclosed at the Market value of the share as at 30 June.

Currency risk

There were no currency risk exposure in the current and prior year.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	ECONOMIC ENTITY Restated 2019 R	MUNICIPALITY Restated 2019 R
40 RESTATED PRIOR YEAR COMPARATIVES		
<u>Prior Period Adjustments:</u>		
Net effect of changes - see details below	(2 172 795)	(4 195 757)
Net effect on surplus	(2 172 795)	(4 195 757)
<u>Statement of Financial Performance</u>		
40.1.1 Surplus for the year		
Balance as per audited financial statements (as previously reported)	1 189 176 981	1 184 159 949
Net effect on surplus	(2 172 795)	(4 195 757)
Service Charges (Refer 40.1.2)	3 473 942	3 430 398
Rental of Facilities and Equipment (Refer 40.1.3)	141 000	141 000
Other Revenue (Refer 40.1.4)	2 303 661	1 974 006
Fines, Penalties and Forfeits (Refer 40.1.5)	1 004 764	1 004 764
Property Rates (Refer 40.1.6)	(940 484)	(940 484)
Transfers and Subsidies (Refer 40.1.7)	18 147	0
Employee Related Costs (Refer 40.2.1)	476 459	196 837
Contracted Services (Refer 40.2.2)	(8 256 499)	(8 256 499)
Other Expenditure (Refer 40.2.3)	486 962	486 962
Other Materials (Refer 40.2.4)	(568 648)	(568 648)
Transfers and Subsidies (Refer 40.2.5)	(312 099)	(1 664 093)
Restated surplus for 2018/19	1 187 004 186	1 179 964 192
40.1.2 Service Charges		
Income as per Audited financial statements (as previously reported)	5 233 561 069	5 234 658 834
Transfer from Other Revenue	29 727 812	29 727 812
Transfer from Rental of Facilities	222 483	222 483
Transfer from Other Receivables	3 430 398	3 430 398
MBDA: Transfer to various	43 544	0
	5 266 985 306	5 268 039 527
Other Revenue in the amount of R29 727 812, was moved to Service Charges in accordance with MSCOA.		
Rental of Facilities in the amount of R222 483 was moved to Service Charges.		
Service charges in the amount of R3 430 398, which have not been previously accrued for.		
Service charges in the amount of R43 544, relates to MBDA.		
40.1.3 Rental of Facilities and Equipment		
Income as per Audited financial statements (as previously reported)	27 458 617	27 458 617
Transfer from Other Revenue	5 781 423	5 781 423
Transfer to Service Charges	(222 483)	(222 483)
Transfer from Other Receivables	141 000	141 000
	33 158 557	33 158 557
Rentals in the amount of R141 000, which have been previously incorrectly accrued for.		
Rental of Facilities in the amount of R222 483 was moved to Service Charges.		
Other Revenue in the amount of R5 781 423 reclassified as Rental of Facilities and Equipment in terms of MSCOA.		
40.1.4 Other Revenue		
Income as per Audited financial statements (as previously reported)	165 252 062	162 724 338
Transfer to Service Charges	(29 727 812)	(29 727 812)
Transfer to Rental of Facilities and Equipment	(5 781 423)	(5 781 423)
Transfer from Other Receivables	1 974 006	1 974 006
MBDA: Transfer to various	329 655	0
	132 046 488	129 189 109
Other Revenue in the amount of R29 727 812, was moved to Service Charges in accordance with MSCOA.		
Other Revenue in the amount of R1 974 006, which have not been previously accrued for.		
Other Revenue in the amount of R5 781 423 reclassified as Rental of Facilities and Equipment in terms of MSCOA.		
Other Revenue in the amount of R329 655, relates to MBDA.		
40.1.5 Fines, Penalties and Forfeits		
Income as per Audited financial statements (as previously reported)	215 022 098	215 022 098
Transfer to Trade and Other Payables	(468 320)	(468 320)
Transfer from Other Receivables	1 473 084	1 473 084
	216 026 862	216 026 862
Revenue in the amount of R1 004 764, which have not been previously accrued for.		
40.1.6 Property Rates		
Income as per Audited financial statements (as previously reported)	2 128 248 924	2 128 248 924
Transfer to Trade Receivables	(940 484)	(940 484)
	2 127 308 440	2 127 308 440
Rates adjustment, which have not been previously accrued for.		
40.1.7 Transfers and Subsidies		
Income as per Audited financial statements (as previously reported)	3 122 855 608	3 120 419 760
MBDA: Transfer to various	18 147	0
	3 122 873 755	3 120 419 760
Transfers and Subsidies in the amount of R18 147, relates to MBDA.		
40.2.1 Employee Related Costs		
Expense as per Audited financial statements (as previously reported)	3 247 808 196	3 217 035 778
Transfer to Other Expenditure	(3 693 056)	(3 693 056)

Transfer to Other Receivables	(196 837)	(196 837)
MBDA: Transfer to various	<u>(279 622)</u>	<u>0</u>
	<u>3 243 638 681</u>	<u>3 213 145 885</u>

Expenses in the amount of R196 837, which have not been previously accrued for.

Employee Related Costs in the amount of R3 693 056 reclassified as Other Expenditure in terms of MSCOA.

Employee Related Costs in the amount of R279 622, relates to MBDA.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Restated 2019 R	Restated 2019 R
40.2.2 Contracted Services		
Expense as per Audited financial statements (as previously reported)	1 047 349 834	1 034 948 172
Transfer to Trade and Other Payables	8 256 583	8 256 583
Transfer to Other Expenditure	(38 013 905)	(38 013 905)
Transfer to Other Receivables	(84)	(84)
	1 017 592 428	1 005 190 766

Expenses in the amount of R8 256 499 which have not been previously accrued for.

Contracted Services in the amount of R38 013 905 reclassified as Other Expenditure in terms of MSCOA.

40.2.3 Other Expenditure		
Expense as per Audited financial statements (as previously reported)	436 847 886	479 919 850
Transfer from Employee Related Costs	3 693 056	3 693 056
Transfer from Contracted Services	38 013 905	38 013 905
Transfer to Transfers and Subsidies	(73 618 706)	(73 618 706)
Transfer to Trade and Other Payables	(486 962)	(486 962)
MBDA: Transfer from Transfers and Subsidies	111 012 971	0
	515 462 150	447 521 143

Expenses in the amount of R486 962 which have not been previously accrued for or have been corrected.

Employee Related Costs in the amount of R3 693 056 reclassified as Other Expenditure in terms of MSCOA.

Contracted Services in the amount of R38 013 905 reclassified as Other Expenditure in terms of MSCOA.

Other Expenditure in the amount of R73 618 706 reclassified as Transfers and Subsidies in terms of MSCOA.

Transfer to Other Expenditure from Transfers and Subsidies in the amount of R111 012 971

40.2.4 Other Materials		
Expense as per Audited financial statements (as previously reported)	158 480 993	158 480 993
Transfer to Trade and Other Payables	568 648	568 648
	159 049 641	159 049 641

Expenses in the amount of R568 648 which have not been previously accrued for or have been corrected.

40.2.5 Transfers and Subsidies (Expense)		
Expense as per Audited financial statements (as previously reported)	87 498 331	87 498 331
Transfer to Trade and Other Payables	1 664 093	1 664 093
Transfer from Other Expenditure	73 618 706	73 618 706
MBDA: Transfer to various	(1 351 994)	0
MBDA: Transfer to Other Expenditure	(111 012 971)	0
	50 416 165	162 781 130

Expenses in the amount of R1 664 093 which have not been previously accrued for or have been corrected.

Other Expenditure in the amount of R73 618 706 reclassified as Transfers and Subsidies in terms of MSCOA.

Transfers and Subsidies in the amount of R1 351 994, relates to MBDA

Transfer to Other Expenditure from Transfers and Subsidies in the amount of R111 012 971

Statement of Financial Position

40.3 Total Accumulated Funds

Closing Balance as per audited financial statements (as previously reported)	17 248 738 242	17 234 538 141
Decrease in Surplus (Refer to Note 40.1.1)	(2 172 795)	(4 195 757)
	(17 897 803)	(22 985 668)
Transfer from Heritage Assets	452 105	452 105
Transfer to VAT	(57 123)	(57 123)
Transfer from Other Receivables	4 439 640	4 439 640
Transfer from Trade Receivables - Non-exchange transactions	(2 408 645)	(2 408 645)
Transfer to Trade and Other Payables	(24 403 583)	(24 403 583)
Transfer to Accounts Payable	(1 008 062)	(1 008 062)
MBDA: Transfer from Property, plant and equipment	5 087 865	0
Restated Closing Balance	17 228 667 644	17 207 356 716

40.3.1 Trade and Other Payables		
Balance as per Audited financial statements (as previously reported)	2 244 392 468	2 211 705 792
Transfer from Contracted Services	8 256 583	8 256 583
Transfer from Other Expenditure	(486 962)	(486 962)
Transfer from Other Materials	568 648	568 648
Transfer from Fines, Penalties and Forfeits	468 320	468 320
Transfer from Property, plant and equipment	2 109 239	2 109 239
Transfer to VAT	(5 952 323)	(5 952 323)
Transfer to Cash and Bank	777 708	777 708
Transfer from Transfers and Subsidies	1 664 093	1 664 093
Transfer to Accumulated Funds	24 403 583	24 403 583
MBDA: Transfer to various	(666 548)	-
	2 275 534 809	2 243 514 681

Expenses in the amount of R31 808 889 (net movement), Relates to various expenses not previously accrued for or corrections made.

Trade and Other Payables in the amount of R666 548 relates to MBDA

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

40	RESTATED PRIOR YEAR COMPARATIVES (Continued)	Restated 2019 R	Restated 2019 R
	40.3.2 Other Receivables		
	Balance as per Audited financial statements (as previously reported)	412 203 258	390 212 812
	Transfer to Service Charges	3 430 398	3 430 398
	Transfer to VAT	209 658	209 658
	Transfer from Accumulated Funds	4 439 640	4 439 640
	Transfer from Contracted Services	84	84
	Transfer from Employee Related Costs	196 837	196 837
	Transfer to Fines, Penalties and Forfeits	1 473 084	1 473 084
	Transfer to Other Expenditure	(1 008 062)	(1 008 062)
	Transfer to Other Revenue	1 974 006	1 974 006
	Transfer to Rental of Facilities and Equipment	141 000	141 000
	MBDA: Transfer to various	(535 863)	0
		422 524 040	401 069 457
	Income in the amount of R10 856 645, relates to various income (net movement), not previously accrued for or corrections made.		
	Other Receivables in the amount of R535 863 relates to MBDA		
	40.3.3 VAT		
	Balance as per Audited financial statements (as previously reported)	59 257 840	59 257 840
	Transfer from Accumulated Funds	57 123	57 123
	Transfer from Trade and Other Payables	5 952 323	5 952 323
	Transfer from Other Receivables	209 658	209 658
		65 476 944	65 476 944
	Vat in the amount of R6 219 104 (net movement), relates to various income and expenses not previously accrued for.		
	40.3.4 Trade Receivables - Non-exchange Transactions		
	Balance as per Audited financial statements (as previously reported)	250 886 112	250 886 112
	Transfer to Accumulated Funds	(2 408 645)	(2 408 645)
	Transfer from Property Rates	(940 484)	(940 484)
		247 536 983	247 536 983
	Rates adjustment, which have not been previously accrued for.		
	40.3.5 Bank Balances and Cash		
	Balance as per Audited financial statements (as previously reported)	199 258 286	188 660 800
	Transfer from Trade and Other Payables	777 708	777 708
	Transfer from Transfers and Subsidies	162 500	162 500
		200 198 494	189 601 008
	Reconciling items on the Bank Balances and Cash now being corrected.		
	A Grant receipt in the amount of R162 500 incorrectly taken into account previously.		
	40.3.6 Transfers and Subsidies		
	Balance as per Audited financial statements (as previously reported)	297 436 573	295 099 016
	Transfer to Bank Balances and Cash	162 500	162 500
	MBDA: Transfer to various	205 488	
		297 804 561	295 261 516
	A Grant receipt in the amount of R162 500 incorrectly taken into account previously.		
	Transfers and Subsidies in the amount of R205 488 relates to MBDA		
	40.3.7 Property, plant and equipment		
	Balance as per Audited financial statements (as previously reported)	17 372 733 742	17 360 950 108
	Transfer from Trade and Other Payables	2 109 239	2 109 239
	MBDA: Transfer to Accumulated Funds	5 087 865	0
	MBDA: Transfer to various	1 928 497	0
		17 381 859 343	17 363 059 347
	Assets in the amount of R2 109 239, which was incorrectly accrued for.		
	Property, plant and equipment in the amount of R7 016 362 relates to MBDA.		
	40.3.8 Heritage Assets		
	Balance as per Audited financial statements (as previously reported)	216 956 187	216 705 687
	Transfer to Accumulated Funds	452 105	452 105
		217 408 292	217 157 792
	Heritage Assets in the amount of R452 105, not previously taken into account.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

41 CHANGE IN ACCOUNTING ESTIMATE
PROPERTY, PLANT AND EQUIPMENT
2020 Financial year

A conditional assessment is done annually on property, plant and equipment, which indicates whether the useful lives of the assets have increased or decreased and as a result of this condition assessment some assets' useful lives have either increased or decreased and therefore the depreciation charge has now changed, which is included in the total depreciation/ amortisation.

In assessing whether there is any indication that the expected useful life of an asset has changed, the following indications have been considered - whether:

- (a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed
- (b) The use of the asset has changed, because of the following:
 - (i) The municipality has changed the manner in which the asset is used
 - (ii) The municipality has changed the utilisation rate of the asset
 - (iii) The municipality has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used
 - (iv) Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset
 - (v) Legal or similar limits placed on the use of the asset have changed
 - (vi) The asset was idle or retired from use during the reporting period
- (c) The asset is approaching the end of its previously expected useful life
- (d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed
- (e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution
- (f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period
- (g) The asset is assessed as being impaired in accordance with GRAP 21 and GRAP 26.

42 CONSTRUCTION CONTRACTS

ECONOMIC ENTITY AND MUNICIPALITY

	2020	Restated 2019
Amount of revenue recognised - Operating	580 372	13 727 757
Amount of revenue recognised - Capital	205 798 002	205 798 002

Method used to determine the Revenue

Revenue is determined on a claims basis where the Municipality submit claims to the ECDHS for expenditure incurred.

Method used to determine the stage of completion of contracts in progress:

Subsidies are approved per site for a set amount, which is determined by ECDHS. Projects are implemented per stage and the contractors are also paid per stage.

Aggregate amount of Costs incurred and recognised surpluses (less recognised deficits) to date for houses not yet transferred

1 197 364 589 1 224 014 067

Amount of advances received

1 200 000 1 200 000

Amount of retentions

Refer Note 7 - Included with Trade and Other Payables

Gross amounts due from customers for contract work

210 320 725 213 744 952

Gross amounts due to customers for contract work

Refer Note 7 - Included with Trade and Other Payables

	Economic Entity		Municipality	
	2020	Restated 2019	2020	Restated 2019
	R	R	R	R

43 OPERATING LEASE COMMITMENTS

Municipality as Lessee

The Municipality normally enters into a lease agreement over 3 years for most of the Operating leases.

Some leases have escalations ranging between 7 and 10% and an option to renew.

Some leases have restrictions, such as not to sub-let or not to sub-let without consent. There are no sub-leases in place that we are aware of.

The Municipality has no sale and leaseback transactions.

Future minimum lease payments under non-cancellable operating leases:

Buildings

	3 018 114	2 835 693
Payable within one year	1 699 754	2 003 024
Payable within two to five years	1 318 360	832 669
Payable above five years	0	0

	3 018 114	2 835 693
Payable within one year	1 699 754	2 003 024
Payable within two to five years	1 318 360	832 669
Payable above five years	0	0

Photocopier, fax machines and other equipment

	8 207 146	19 134 493
Payable within one year	6 178 119	11 471 394
Payable within two to five years	2 029 027	7 663 099
Payable above five years	0	0

	7 986 150	18 766 819
Payable within one year	6 092 015	11 329 290
Payable within two to five years	1 894 135	7 437 529
Payable above five years	0	0

11 225 260 21 970 186

11 004 264 21 602 512

Municipality as Lessor

At reporting date, the Municipality has contracted with tenants for the following minimum lease payments over a period of 1 to 99 years:

No contingent rentals are charged.

Land

	11 600 453	12 080 465
Receivable within one year	480 012	480 012
Receivable within two to five years	1 920 048	1 920 048
Receivable after 5 years	9 200 393	9 680 405

	11 600 453	12 080 465
Receivable within one year	480 012	480 012
Receivable within two to five years	1 920 048	1 920 048
Receivable after 5 years	9 200 393	9 680 405

Buildings

	42 865 621	49 860 745
Receivable within one year	5 952 693	7 050 179
Receivable within two to five years	12 607 929	18 016 585
Receivable after 5 years	24 304 999	24 793 981
	54 466 074	61 941 210

	42 810 565	49 694 635
Receivable within one year	5 897 637	6 884 069
Receivable within two to five years	12 607 929	18 016 585
Receivable after 5 years	24 304 999	24 793 981
	54 411 018	61 775 100

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		Economic Entity and Municipality	
		2020	Restated 2019
		R	R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			
Incident / Disciplinary steps / Criminal Proceedings			
44.1 Unauthorised Expenditure			
Opening Balance		262 809 861	262 546 156
Incurred - Current year - Relating to current year		35 842 365	235 442 733
Incurred - Current year - Relating to prior year		0	24 995 239
Written off by Council		(24 995 239)	(260 174 267)
Recoveries - Current year		0	0
		273 656 987	262 809 861
44.1.1 Actual expenditure in excess of approved budget votes			
The total actual expenditure, including non-cash flow items amounted to R11 531 549 505 , compared to the approved adjustments budget of R13 226 528 908 . The actual expenditure was thus R1 694 979 403 below the approved adjustments budget and does not constitute unauthorised expenditure.		35 842 365	235 442 733
The total actual expenditure per budget vote exceeded the approved adjustments budget for certain Directorates by R35 842 365 which includes non-cash items.			
44.1.2 Over-expenditure relating to contract security resulted in unauthorised expenditure.		0	24 995 239
Total		35 842 365	260 437 972
Written off by Council		(24 995 239)	(260 174 267)
44.2 Irregular Expenditure			
Opening Balance - previously stated		16 370 919 057	14 469 822 819
Restatement			2 459 117
Restated Opening Balance		16 370 919 057	14 472 281 936
Incurred - Current year - Relating to current year (awards)		30 483 482	158 584 251
Incurred - Current year - Relating to prior year (awards / other)		1 278 670 709	1 924 599 963
Written off by Council - Other		(7 162 838)	(184 547 093)
		17 672 910 410	16 370 919 057
1 Breach of the Supply Chain Management policy			
A breach occurred as certain contracts were awarded to persons in the service of the state where he/she may have a significant influence over the financial or operating policies of the entity.		223 661 335	253 523 522
2 Breach of the Supply Chain Management policy			
A breach occurred as certain contracts were awarded to persons in the service of the state (certain officials and family of officials) where he/she may have a significant influence over the financial or operating policies of the entity.		59 615 623	46 154 124
3 SCM Deviations			
Some of the deviations relating to the tender process appear to be made where improper planning was conducted and expenditure were incurred before the deviation was approved and therefore considered to be irregular.			
- Relating to current year		9 868 431	22 153 984
- Relating to prior year		313 600 218	377 218 760
4 Breach of the Supply Chain Management policy			
Payments made which was in contravention of the scm policy which was not previously disclosed.		17 071 995	34 968 878

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		Economic Entity and Municipality	
		2020	Restated 2019
		R	R
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.2	<u>Irregular Expenditure (Continued)</u>		
5	Irregular Expenditure review by Internal Audit		
NB: This section of the Irregular Expenditure represents the "historic" irregular expenditure incurred as reported by Internal Audit Unit in terms of the two reports that were issued in 2014/15 and 2015/16 relating to a number of financial years dating back from around 2003. The irregularity in these instances continued to 2016/17 financial year as some of the tender / SCM Files were still in use (or work proceeding). This figure therefore does not relate to any irregularity that may have occurred during the year under review (i.e. 2016/17). Important to note is the fact that there are reports that have been taken to Council structures in order to deal with these matters and the first reports were discussed at MPAC Sub Committee on the 31 August 2017.			
Non-compliance with regards to the Formal Bid and Deviation process			
	Incurred - Current year - Relating to current year Tenders	3 543 056	75 481 030
	Incurred - Current year - Relating to prior year Tenders	681 715 962	1 212 716 616
	Irregular Expenditure - Informal Tenders	0	60 949 237
6	MBDA - Irregular Expenditure	77 571	18 063
	Total	1 309 154 191	2 083 184 214
	Total amount written off by Council in respect of ALL cases / Condoned by MBDA Board	(7 162 838)	(184 547 093)
7	Information not available (Limitation of Scope)		
	Opening Balance - previously stated	3 057 877 747	2 593 906 602
	Restatement	0	0
	Restate Opening Balance	3 057 877 747	2 593 906 602
	Incurred - Current year - Relating to prior year Tenders	281 022 266	463 971 145
	Written off by Council - Other	0	0
		3 338 900 013	3 057 877 747
	Total amount written off by Council in respect of ALL cases	0	0
This section of the note has not been included in the Irregular expense calculation, because it is impracticable in terms of GRAP 1 to determine whether the tender files are indeed Irregular or Regular as described below:			
This disclosure note represents expenditure incurred on SCM / Tender files that were declared by Internal Audit Unit in around 2014/15 and 2015/16 to be a LIMITATION OF SCOPE as the AG could not be provided with the said files. The expenditure referred to dates back to around 2003 financial year. As the expenditure on the affected SCM / Tender Files continued to the 2016/17 financial year the actuals have been extended to include the reported financial year. Detailed reports dealing with these files are to be submitted to Council structures starting from the MPAC Sub Committee dated 31 August 2017, whereafter the note will be amended only after Council approves the recommendation/s on how to deal with these matters. This effectively means that this expenditure is historic or relates to historic financial years.			
44.3	<u>Fruitless and Wasteful Expenditure</u>		
	Opening Balance	577 636 288	659 240 075
	Restatement - Incurred	0	0
	Restated Opening Balance	577 636 288	659 240 075
	Incurred - Current year - Relating to current year	914 987	11 447 663
	Incurred - Current year - Relating to prior year	0	4 182 726
	Written off by Council - Other reversed	(1 129 631)	(97 234 176)
		577 421 644	577 636 288
1	Suspended Officials		
Various officials have been on suspension for more than 3 months. In terms of the South African Local Government Bargaining Council; disciplinary procedure and collective agreement, the period of suspension shall not exceed a period of 3 months. Matter to be referred to Labour Relations.			
		834 399	6 482 808
2	Additional expenditure incurred by the Directorate when a tender was in place which resulted in Fruitless and Wasteful expenditure.	0	4 182 726
3	Fruitless and Wasteful expenditure incurred by certain Directorates	0	4 964 855
4	MBDA - Fruitless and Wasteful Expenditure	80 588	0
	TOTAL	914 987	15 630 389
	Total amount written off by Council for in respect of ALL cases / Condoned by MBDA Board	(1 129 631)	(97 234 176)

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		Economic Entity and Municipality	
		2020	Restated 2019
		R	R
45(a)	CONTINGENT LIABILITIES		
These are ongoing matters and the Municipality is unable to determine the exact timing and amount of the outcome of these matters.			
Should any liability arise as a result of these claims, the Municipality will attempt to recover any amounts paid over with respect to these claims (if applicable and able to do so).			
<u>Possible Contingent liabilities:</u>			
1	Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.	147 329 993	131 266 366
2	Various claims due to municipal administrative matters that are under dispute or investigation.	23 943 801	37 474 066
3	Various claims by current or terminated employees due to alleged unfair labour practices.	9 302 791	10 064 384
4	Various claims due to supply chain related issues or creditor payment related matters.	316 245 061	258 411 772
		496 821 646	437 216 588
Contingent Liability - MBDA		0	0
Total Consolidated Amount		496 821 646	437 216 588
45(b)	PROVISION FOR LITIGATION AND CLAIMS		
<u>Detail of Provision raised in Note 5.2</u>			
1	Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.	3 275 000	82 002
2	Various claims due to municipal administrative matters that are under dispute or investigation.	0	0
3	Various claims by current or terminated employees due to alleged unfair labour practices.	0	0
4	Various claims due to supply chain related issues or creditor payment related matters.	0	0
TOTAL PROVISION REFER NOTE 5.2		3 275 000	82 002
45(c)	CONTINGENT ASSETS		
These are ongoing matters and the Municipality is unable to determine the exact timing and amount of the outcome of these matters.			
<u>Possible Contingent assets</u>			
1	Various claims due to supply chain related issues or creditor payment related matters.	172 658 302	157 308 302
		172 658 302	157 308 302
46	EVENTS AFTER REPORTING DATE		
46.1	Nelson Mandela Bay Municipality		
WITHHOLDING OF GRANT FUNDING BY NATIONAL TREASURY			
On 29 June and 15 July 2020, National Treasury addressed correspondence to the Municipality indicating that grant funding would be withheld in view of certain non-compliance matters. The Municipality had further engagements with National Treasury on 21 October 2020, regarding the withholding of grants in the amount of R1.6 billion, in relation to the 2019/20 and 2020/21 financial years. Emanating from this meeting, National Treasury addressed correspondence to the Municipality on 23 October 2020, indicating that the Municipality must adopt an Action Plan, to implement the NT conditions for the release of the outstanding grants as communicated in the NT letter of 24 February 2020. The letter of 23 October 2020, also indicated that the Interim Executive Mayor, is required to provide a comprehensive response to the Deputy Finance Minister's correspondence of 15 July 2020. The Action Plan, was adopted by Council on 28 October 2020. On 23 November 2020, National Treasury addressed correspondence to the Municipality indicating its decision to release the outstanding Equitable Share and Conditional Grants due to the Municipality, in view of the commitment to improve performance as demonstrated by the current administrative leadership.			
46.2	Possible Contingent Liabilities		
Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.		6 451 712	0
Various claims due to supply chain related issues or creditor payment related matters.		869 000	0
		7 320 712	0
46.3	COVID-19 Expenditure		
The major impacts of COVID-19 are the following: Council had to adopt a second adjustments budget to provide for COVID-19 expenditure, including the reprioritisation of USDG grant funding to cover such expenditure. It also had a significant impact on project implementation timeframes and service delivery with consequential impacts on the achievement of targets as set out in the SDBIP.			
Total expenditure as at 30 June 2020		30 945 262	0
46.4	Mandela Bay Development Agency		
The term of the Board of Directors was terminated on 06 July 2020. As a result the entity has been operating without a Board.			

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

47 Information on Post Retirement Benefits

RETIREMENT BENEFIT INFORMATION

The Nelson Mandela Bay Municipality makes provision for post-retirement benefits to employees who belong to different pension schemes. These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes. Contribution of R326.013 million (2019: R302.028 million) to the defined benefit and defined contribution structures are expensed as incurred during the financial year ended 30 June 2020.

DEFINED CONTRIBUTION SCHEMES

CONSOLIDATED RETIREMENT FUND

The contribution rate paid by the members (9%) and the NMBM (18%) is sufficient to fund the benefits accruing from the fund in future. The actuary certified the fund as being in a sound financial position as at 30 June 2019. The funding level of the Share Account is 100.3%, the Preservation fund is 100% and the Pensions Account reflected a funding level of 124.9% as at 30 June 2019.

SALA CONTRIBUTION FUND

The SALA Contribution Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.92%) and their councils (19.18%) is sufficient to fund the benefits accruing from the Fund in the future. The fund is 100% funded.

SOUTH AFRICAN MUNICIPAL WORKERS UNION (SAMWU) NATIONAL PROVIDENT FUND

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the Fund was performed at 30 June 2008, and certified it as being in a financially sound position with the funding level remaining at 100% since the previous valuation date, 30 June 2005. The 30 June 2011 report is not available yet and is expected to be available towards the end of 2014. The contribution rate paid by the members (7.5%) and their councils (18%) is sufficient to fund the benefits accruing from the Fund in the future.

DEFINED BENEFIT SCHEMES

CAPE JOINT PENSION FUND

The defined benefit scheme is a multi-employer plan, and the contribution rate payable is 27% (9% by the members and 18% by their councils). The fund was certified by the actuary as being in a sound financial condition as at 30 June 2019 and is funded at 100.3%.

SALA PENSION FUND

The defined benefit scheme is a multi-employer plan, and the contribution rate payable is **26.67% (7.92% by the members and 19.18% by their councils)**. This defined benefit plan, is financially sound, and was 100% funded as at 30 June 2013.

The Nelson Mandela Bay Municipality has used GRAP 25 as guidance for treatment of multi-employer plans as sufficient information was not available to use defined-benefit accounting. The Municipality has therefore accounted for the Cape Joint Pension Fund and the SALA Pension Fund as defined contribution plans. It is impracticable to disclose as a defined benefit plan because the funds do not determine a separate actuarial valuation per Municipality but do it as a whole for all the Municipalities together.

EX GRATIA PENSIONS

General Description

The Ex-gratia pension benefits scheme operates as pensions that are being paid from the Council's revenue, that is, they are not funded or paid from one of the Employer's formalised pension arrangements.

Employees who were under the age of 55 when appointed and who have at least ten years' service at retirement, will receive an annual ex-gratia pension calculated as:

Annual salary * 1/47 * Years of non-pensionable service

An employee's widow will get 50% of the accrued (full service) pension on the employee's death. This is subject to a maximum of the Government Old Age Pension and will cease at age 60.

Pensions increase in line with those granted by the Cape Joint Pension Fund and increases at 50% of CPI inflation.

Detailed Results

An actuarial valuation of the Municipality's unfunded liability in respect of revenue pension benefits to eligible employees and retirees of the Nelson Mandela Bay Municipality, was performed as at 30 June 2020. The unfunded liability in respect of past service has been valued at R53.528 million, of which R49.585 million relates to the non-current portion.

Past and Future Changes in the Accrued Liability

The table below shows the development of the accrued liability over the current period, and projects the Municipality's Unfunded Accrued Liability and periodic costs.

Past year and future projected liability

	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021
Opening Accrued Liability	58 336 490	56 871 490	53 527 945
Current service cost	0	0	0
Interest cost	5 294 000	4 938 563	5 178 907
Benefits paid	-3 662 000	-3 709 740	-3 942 544
Total Annual Expense	1 632 000	1 228 823	1 236 363
Actuarial (Gain)/ Loss	-3 097 000	-4 572 368	
Closing Accrued Liability	56 871 490	53 527 945	54 764 308

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

47 Information on Post Retirement Benefits (Continued)

Statement of Financial Position Figures

Unfunded Accrued Liability

Balance Sheet	Year ending 30/06/2019	Year ending 30/06/2020
Fair Value of Plan Assets	0	0
Accrued Liability	56 871 490	53 527 845
Unfunded Accrued Liability	56 871 490	53 527 845
Unrecognised Transitional Liability	0	0
Unrecognised Actuarial Gains/(Losses)	0	0
Unrecognised Past Service Cost	0	0
Miscellaneous Item	0	0
Closing Balance	56 871 490	53 527 845

Reconciling and Projecting the Unfunded Accrued Liability

Unfunded Accrued Liability	Year ending 30/06/2019	Year ending 30/06/2020
Opening Balance	58 336 490	56 871 490
Current Service Cost	0	0
Interest Cost	5 295 000	4 938 563
Expected Return on Plan Assets	0	0
Actuarial (Gain) /Loss	-3 098 000	-4 572 368
Past Service Cost		
Effect of Curtailment / Settlement		
Expected Employer Benefit Payments	-3 662 000	-3 709 740
Employer Prefunding Contributions	0	0
Closing Balance	56 871 490	53 527 945
Projected Accrued Liability	59 969 490	58 100 313

Amounts to be recognised in profit or loss for the year (period)

Category	Year ending 30/06/2019	Year ending 30/06/2020
Current Service Cost (In-Service members only)	0	0
Interest Cost	5 295 000	4 938 563
Actuarial (Gain)/Loss	-3 097 000	-4 572 368
Total employee benefits expense	2 198 000	366 195

KEY ASSUMPTIONS

Summary of economic assumptions that were used in the valuation:

Assumption	Current Valuation 30 June 2019	Current Valuation 30 June 2020
Discount rate	8.97%	10.04%
Inflation risk premium	0.50%	
Inflation assumption	5.56%	5.32%
Salary increase rate	6.56%	6.32%
Pension increase rate	2.78%	2.66%
Net effective discount rate	6.02%	7.18%

Discount Rate Assumption:

The discount rate has been set by taking the average yield from the Zero-Coupon SA Government bond curve, with a duration of 9 years, as was done for the previous valuation. The recommended discount rate as at 30 June 2020 is 10.04% per annum. The source is the Johannesburg Stock Exchange through the I-net data service. The discount rate was set at 8.97% p.a. for the previous valuation.

Future Inflation Assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries and hence ex-gratia benefits, will increase.

The market's pricing of inflation was estimated by comparing the yields on nominal bonds to the yields on real bonds on the yield curve of bonds, with a duration of 9 years as was done for the previous valuation. The resulting inflation assumption is therefore 5.32% per annum as at 30 June 2020. The source is the Johannesburg Stock Exchange through I-net BFA data service. The future inflation assumption was set at 5.56% for the previous valuation.

Future Salary Inflation Assumption:

The general inflation assumption is used to establish the base rate for determining the rate at which the future salaries and hence ex-gratia benefits will increase.

It has been assumed that salary inflation will exceed general inflation by 1.0% per annum. Therefore, a salary inflation assumption of 6.32% per annum has been used as at 30 June 2020.

The future salary inflation assumption was set at 6.56% per annum for the previous valuation.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

47 Information on Post Retirement Benefits (Continued)

Pension Increase Assumption:

Pension increases are in line with those granted by the LA Retirement Fund (previously known as the Cape Joint Pension Fund). Based on recent experience, pension increases are assumed to be set at 50% of the expected inflation assumption. This is consistent with what was done for the previous valuation.

The expected pension increase rate is, therefore, 2.66% per annum as at 30 June 2020.

The expected pension increase rate was set at 2.78% per annum for the previous valuation.

Post Retirement net discount rate:

Net discount rate is the gap between the discount rate and the expected increase in salary inflation.

The net discount rate for ex-gratia pension benefits as at 30 June 2020 is assumed to be 7.18% per annum (derived from the discount rate of 10.04% and the expected increase rate of 2.66%).

The net discount rate was set at 6.02% per annum for the previous valuation.

Demographic Valuation Assumptions:

Actuarial valuation assumptions are required to be made about demographic variables (such as, employee turnover and mortality) that will influence the cost of the benefit, discounting that benefit using the Projected Unit Credit Method.

The demographic assumptions used in the previous valuation have been retained and these assumptions are as follows:

Pre-retirement Mortality:

It has been assumed that the pre-retirement mortality will be in line with the SA85-90 table, which is a table reflecting mortality experience in South Africa. This assumption was used for the valuation of in-service members.

This assumption is consistent with that of the previous valuation.

Post-retirement Mortality:

The post-retirement mortality assumption is based on the PA (90) ultimate table. This assumption was used for the mortality of continuation members (retired employees).

This assumption is consistent with that of the previous valuation.

Assumed Retirement Age:

The normal retirement age is 65 for all male employees and is 60 for all female employees.

The retirement age of 63 for all male employees and retirement age of 58 for all female employees has been assumed, which allows for some early retirement and is consistent with assumptions used for valuing other Municipality liabilities.

This assumption is consistent with that of the previous valuation.

Family Profile:

It is assumed that 90% of in-service members will be married at retirement.

It has been further assumed that the female spouse will be 3 years younger than the male spouse. For continuation members the actual spouses' dates of birth were used, where provided.

The data provided in respect of the retired members indicated the marital status of the members. This actual adult dependant status was therefore used.

Withdrawal Rates:

The table below reflects the rates of withdrawal used to value the liabilities for both males and females:

Withdrawal rates

Age	Withdrawal Rate Males	Withdrawal Rate Females
20	24%	16%
25	18%	12%
30	15%	10%
35	10%	8%
40	6%	6%
45	4%	4%
50	2%	2%
55	1%	1%
60+	0%	0%

Developments since the previous valuation:

There has been no changes to the ex-gratia pension benefit since the previous valuation, therefore, it is assumed the level of benefits will remain unchanged with the exception of allowing for inflationary adjustments.

Plan Assets:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment ex-gratia pensions.

Sensitivity Analysis

The results of the valuation are dependent on the underlying assumptions made and the actual cost of the ex-gratia benefit will, however, depend on the actual experience.

The tables below illustrate the likely impact certain changes to the underlying assumptions would have on the results:

Liability: the aggregate of the current service cost and interest cost components of the net periodic costs; and

Cost/(Saving): the accumulated obligation for the ex-gratia benefit obligation.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

47 Information on Post Retirement Benefits (Continued)

Sensitivities as at 30 June 2020

Discount Rate	2020 Assumption	1% Decrease in gap	1% Increase in gap
	10.04%	9.04%	11.04%
	R'000	R'000	R'000
Total Liability	53 528	58 768	49 048
Cost / (Saving)		5 240	-4 480

Retirement	2020 Assumptions	+1 Year	-1 Year
	Males 63; Females 58	Males 64; Females 59	Males 62; Females 57
	R'000	R'000	R'000
Total Liability	53 528	52 219	54 795
Cost / (Saving)		-1 309	1 267

For the purposes of disclosure, all other assumptions are to be held constant.

POST-EMPLOYMENT HEALTH CARE BENEFITS

Benefit Structure

Medical Aid Scheme Arrangements:

The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

Contribution Rate Structure:

Members contribute according to the tables of contribution rates, which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Arrangements:

The Municipality has agreed to subsidise the medical aid contributions of retired members as follows:

In accordance with Resolution 8 of the SALGBC (SALGA), all existing and new pensioners (employees currently in service) and their dependants will receive a subsidy ranging between 60% and 70% subject to the maximum (CAP) amount of **R4,218.00** (per month, per member) for the period from 1 July 2019 to 30 June 2020. The subsidy for LA Health members is 70%, while members of other schemes only qualify for a 60% subsidy. The maximum (CAP) amount was R4,218.00 in the previous financial year.

The maximum subsidy is expected to increase at 50% of inflation.

Eligible employees should have at least five years of service to qualify for a benefit at retirement.

Valuation Method

The value of the Municipality's accrued liabilities has been determined by using the Projected Unit Credit Method and a set of actuarial assumptions.

Post Employment Medical Aid Liabilities:

The liability in respect of active employees is determined by discounting the projected future benefit payments in respect of these members using assumptions regarding the possible future experience. The liability has been proportioned between past service and future service.

The liability in respect of current pensioners is fully accounted for.

The current service cost is the cost of providing the benefits over the year following the valuation date.

All actuarial gains and losses are recognised immediately and we have not allowed for any disclosure under the corridor method.

Valuation of Assets:

As at the valuation date, the medical aid liability of the municipality was unfunded, that is, no dedicated assets have been set aside to meet this liability. Therefore, no assets have been considered as part of this valuation.

Detailed Results

The projected total liability in respect of post-retirement health care benefits amounts to R1,513.131 million as at 30 June 2020 (2019: R1,394.063 million). Provision for R1,513.131million has been made (non-current R1,427.592 million, current R85.539 million). It is expected that approximately 5.6% of the amount provided will be expensed per annum. This is dependent on the accuracy of the assumptions below.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

47 Information on Post Retirement Benefits (Continued)

Past and Future Changes in the Accrued Liability

The table below depicts the development of the accrued liability over the current period, and projects the Municipality's Unfunded Accrued Liability and periodic costs over the next 2 periods following the Valuation Date.

Past year and future projected liability

	Year ending 30/06/2019 R'000	Year ending 30/06/2020 R'000	Year ending 30/06/2021 R'000
Opening Accrued Liability	1 220 067	1 394 063	1 233 339
Service cost	41 057	41 431	38 950
Interest cost	123 856	147 783	173 420
Benefits paid	-57 886	-61 403	-66 018
Total Annual Expense	107 027	127 811	146 352
Actuarial (Gain)/Loss on financial basis	-77 356	-304 332	
Actuarial (Gain)/Loss on experience	144 325	15 797	
Closing Accrued Liability	1 394 063	1 233 339	1 379 691

Amounts to be recognised in profit or loss for the year (period)

Category	Year ending 30/06/2019 R'000	Year ending 30/06/2020 R'000
Service Cost	41 057	41 431
Interest Cost	123 856	147 783
Actuarial (Gain)/Loss on financial basis	-77 356	-304 332
Actuarial (Gain)/Loss on experience	144 325	15 797
Total employee benefits expense	231 882	-99 321

KEY VALUATION ASSUMPTIONS AND DEVELOPMENTS

Summary of economic assumptions that were used in the valuation:

Assumption	Valuation 30 June 2019	Valuation 30 June 2020
Discount rate	10.68%	14.21%
Future Inflation	6.99%	8.96%
Medical Inflation	8.49%	10.46%
Subsidy Inflation	3.50%	4.48%
Post Retirement Interest Rate (Medical Inflation)	2.01%	3.40%

Discount Rate:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date, on Government Bonds.
The average nominal yield curve for SA Government bonds with duration between 15 and 20 years have been used as at 30 June 2020. The resultant discount rate was 14.21% for 30 June 2020.
The source of the data is the Johannesburg Stock Exchange through I-net BFA data service.

Future Inflation Assumptions:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.
The difference between the above nominal and real bonds with duration of between 15 and 20 years has been used. The implied inflation assumption is therefore 8.96% per annum for 30 June 2020.

The source of the data is the Johannesburg Stock Exchange through I-net BFA data service.

Future medical Inflation Assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future medical subsidies will increase.
It is assumed that medical cost will outstrip general inflation by about 1.5% per annum, as South Africa has experienced high medical cost inflation in recent years.
The medical cost inflation was therefore set at 10.46% per annum for 30 June 2020.

Net Discount Rate:

The net discount rate is the gap between the values used for the discount rate and the expected increase in salaries. The net discount rate is 3.40% per annum for 30 June 2020, (derived from the discount rate of 14.21% and the expected medical inflation rate of 10.46%).

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

47 Information on Post Retirement Benefits (Continued)

Demographic Valuation Assumptions:

Pre-Retirement Mortality-

It has been assumed that the pre-retirement mortality will be in line with the SA 85-90 light table, rated down by 3 years for female members, which is atable reflecting mortality experience in South Africa.

Post-Retirement Mortality-

The PA90 ultimate mortality table was used in the valuation for the mortality of Continuation Members.

Withdrawal Rates:

Age	Withdrawal Rate Females	Withdrawal Rate Males
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
55+	0%	0%

Assumed Retirement Age:

The normal retirement age is 65 years. Consistent with the previous years' assumptions, it has been assumed that male employees will retire at age 63 and female employees at age 58, which implicitly allows for the expected rates of early retirement.

Family Profile:

It is assumed that 90% of In-Service Members on a medical arrangement will be married at retirement. Males are assumed to be five years older than their female spouses. Where the data provided in respect of the Continuation Members, indicated that the spouse was married we have used the actual spouses date of birth. Where this was not known, we have assumed that the male spouse was 5 years older than the female spouse. Members have been assumed to have no dependent children after retirement.

Continuation of Membership:

It has been assumed that 100% of In-Service Members will remain on the Municipality's health care arrangement should they stay until retirement. No provision has been made for employees currently not on Municipality-sponsored scheme to join prior to retirement. This is consistent with previous years' assumptions.

It was assumed that employees retiring will remain on the current plan and option at retirement and it was assumed they will remain in the same income category after retirement.

Changes since the previous valuation:

There were no changes to the rules governing payment and eligibility for the medical subsidy since the previous valuation. As far as the assumptions are concerned, the discount rate and general inflation, which are dependent on the market at the time of valuation, are different from the previous valuation.

Plan Assets:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

Sensitivity Analysis

The results are based on a number of assumptions. The extent to which the actual liability faced by the Municipality in the future differs from these results will depend on the extent to which actual expenditure differs from the assumptions made.

GRAP 25 requires disclosure of the effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on:

- the aggregate of the current service cost and interest cost components of the net periodic post-employment medical costs; and
- the accumulated post employment benefit obligation for medical costs.

For the purposes of disclosure, all other assumptions are to be held constant.

The following changes were made:

- A 1% increase/decrease in the net discount rate; and
- A 1 year increase/reduction in the normal retirement age.

30 June 2020 Sensitivities

<u>Medical Inflation</u>	<u>Current Assumption</u>	<u>1% Decrease</u>	<u>1% Increase</u>
	<u>10.46%</u>	<u>9.46%</u>	<u>11.46%</u>
Liability (R'000)	1 233 339	1 175 467	1 295 254
Cost/(Saving) (R'000)		-57 872	61 914
	<u>Current Assumption</u>	<u>1% Decrease</u>	<u>1% Increase</u>
	<u>14.21%</u>	<u>13.21%</u>	<u>15.21%</u>

Discount Rate			
Liability (R'000)	1 233 339	1 368 065	1 119 667
Cost / (Saving) (R'000)		134 725	-113 672
Normal Retirement Age	Current Assumption	All Members	All Members
	Males 63, Females 58	63	65
Liability (R'000)	1 233 339	1 122 335	994 439
Cost / (Saving) (R'000)		-111 004	-238 900

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

47 Information on Post Retirement Benefits (Continued)

LONG SERVICE AWARD AND LONG SERVICE BONUS

Description of the Long Service Award Arrangement

Long Service Bonuses:

Long service benefits are awarded in the form of leave days and a percentage of annual salary. The awarded leave days have been converted into a percentage of the employee's annual salary, for valuation purposes. The conversion is based on a 250 working day year. The LSB benefits have improved significantly from 01 July 2017. The Municipality now offers employees LSB as outlined below.

Long Service Awards:

In addition to the above, employees are eligible to receive a Long Service Award to the value of R2,500 upon completion of 25 years in service.

The table below describes the benefits accruing to those employed under the SALGBC LSB Agreement. The policy applicable to the subgroups appointed prior to 01 July 2017 will change to the policy outlined in tables 2 to 4, once they reach twelve years of service.

Table 1: Long Service Bonus for levels of past service:

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
5	4%	(5/250+2%) * annual salary
10	7%	(10/250+3%) * annual salary
15	10%	(15/250+4%) * annual salary
20	11%	(15/250+5%) * annual salary
25, 30, 35, 40 and 45	12%	(15/250+6%) * annual salary

Tables 2 to 4 describe the policy that the Municipality is phasing-in over a four-year period, for the balance of the employees. This includes all employees from the former Municipalities of Port Elizabeth, Uitenhage, Despatch and Western District Council. However, the Uitenhage employees are already on the highest level, since this was their LSB policy prior to their transfer. The purpose of the amendment of the SALGBC LSB policy is to harmonise the conditions of employment, as it relates to the LSB, across all of the Metro employees.

The bonuses are paid on a monthly basis and also apply to an employee's 13th cheque.

Table 2: Long Service Bonus for levels of past service (phase-in, year two: 01 July 2017 to 30 June 2018)

Completed Service (in years)	Uitenhage	Port Elizabeth	Despatch	Western District Council		SA Local Government Bargaining Council
				Pre 01 July 1987	Post 01 July 1987	
5						4.0%
10						7.0%
12 to 17	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%
18 to 23	10.0%	8.5%	8.5%	8.5%	8.5%	8.5%
24 and above	15.0%	13.0%	13.0%	13.0%	13.0%	13.0%

Table 3: Long Service Bonus for levels of past service (phase-in, year three: 01 July 2018 to 30 June 2019)

Completed Service (in years)	Uitenhage	Port Elizabeth	Despatch	Western District Council		SA Local Government Bargaining Council
				Pre 01 July 1987	Post 01 July 1987	
5						4.0%
10						7.0%
12 to 17	5.0%	4.5%	4.5%	4.5%	4.5%	4.5%
18 to 23	10.0%	9.0%	9.0%	9.0%	9.0%	9.0%
24 and above	15.0%	14.0%	14.0%	14.0%	14.0%	14.0%

Table 4: Long Service Bonus for levels of past service (phase-in, year four: 01 July 2019 to 30 June 2020)

Completed Service (in years)	Uitenhage	Port Elizabeth	Despatch	Western District Council		SA Local Government Bargaining Council
				Pre 01 July 1987	Post 01 July 1987	
5						4.0%
10						7.0%
12 to 17	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
18 to 23	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
24 and above	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

47 Information on Post Retirement Benefits (Continued)

Reconciliation of opening and closing accrued liability values

Past year and future projected liability

	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021
Opening Accrued Liability	670 932 905	748 844 905	695 122 200
Current service cost	47 611 000	53 525 765	43 223 216
Interest cost	56 726 000	57 876 534	53 483 673
Expected benefit vestings	-94 425 000	-106 429 450	-100 231 352
Total Annual Expense	9 912 000	4 972 849	-3 524 463
Actuarial (Gain)/Loss on basis	-13 000	-51 745 605	
Actuarial (Gain)/Loss on experience	68 013 000	-6 949 949	
Accrued Liability	748 844 905	695 122 200	691 597 737

Net Liability to reflect in the Balance Sheet

	Year ending 30/06/2019	Year ending 30/06/2020
Net Liability in Balance Sheet		
Opening Balance	670 932 000	748 844 905
Current service cost	47 611 000	53 525 765
Interest cost	56 726 000	57 876 534
Actuarial (Gain) / Loss Recognised in P&L	68 000 000	-58 695 554
Past service cost Recognised		0
Net Periodic Cost Recognised in P&L	172 337 000	52 706 745
Expected benefit vestings	-94 425 000	-106 429 450
Actuarial (Gain) / Loss Recognised outside P&L	0	0
Closing Balance	748 844 000	695 122 200
Current Portion of Liability	93 825 000	100 231 352
Non-Current Portion of Liability	655 019 000	594 890 848

Key Assumptions

Key Financial Assumptions

The assumptions used are based on statistics and market data as at 30 June 2018 and 2019. These valuation assumptions are consistent with the requirements of GRAP 25.

Assumption	Valuation 30 June 2019	Valuation 30 June 2020
Discount rate	8.01%	8.02%
Future inflation	4.82%	3.48%
Salary inflation	5.82%	4.48%
Net Discount Rate	2.07%	3.38%

Detailed Assumptions

Discount Rate Assumption:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on Government bonds. The cash flow weighted duration of the liabilities is approximately 6.0 years. Therefore, the nominal yield curve for SA Government bonds with duration of 6.0 years, has been used, as at 30 June 2020. The resultant discount rate was 8.02%. The source of the data is the Johannesburg Stock Exchange through I-net BFA data service.

Future Inflation Assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future benefits will increase. We have estimated the market's pricing of inflation by comparing the yields on index-linked Government bonds and long-term Government bonds (at duration of 6.0 years). The implied inflation assumption is, therefore, 3.48% per annum. The source of the data is the JSE through I-net BFA data service.

Future Salary Inflation Assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase. It is assumed that salary inflation will exceed general inflation by 1.0% per annum. Therefore, we have used a salary inflation assumption of 4.48% per annum for 2020.

Assumed promotional salary increase rates are as follows:

Age Band	Additional promotional scale
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%

40 - 44	1%
45+	0%

Net Discount Rate:

The net discount rate is the gap between the discount rate and the expected increase in the salary inflation assumptions. The net discount rate is 3.38% per annum, derived from the discount rate of 8.02% and the expected salary inflation rate of 4.48%.

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47 Information on Post Retirement Benefits (Continued)**Demographic Valuation Assumptions****Pre-Retirement Mortality:**

It has been assumed that the pre-retirement mortality will be in line with the SA85-90 light table, adjusted down for females lives, which is a table reflecting mortality experience in South Africa.

Withdrawal Rates:

Withdrawal rates have been provided for, as follows:

Age	Females	Males
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
55+	0%	0%

Assumed Retirement Age:

The normal retirement age is 65. It has been assumed that male employees will retire at age 63 and female employees will retire at age 58 on average, which implicitly makes an allowance for expected rates of early and ill-health retirement.

Developments since the previous valuation:

There were no changes to the rules governing payment and eligibility for the long service awards since the previous valuation. As far as assumptions are concerned, only the discount rate and inflation rate, which are dependent on the market, at the time of the valuation differed from the previous valuation. All other assumptions are broadly consistent with those used in the previous valuation, unless otherwise stated.

Plan Assets:

Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA liability.

Sensitivity Analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent the best estimate of future experience. The actual cost of the long service awards will however be dependent on the actual experience.

The table below illustrates the likely impact certain changes to the underlying assumptions would have on the results:

Liability: the aggregate of the current service cost and interest cost components of net periodic costs; and

Cost/(Saving): the accumulated obligation for long service awards.

Sensitivities:

Discount Rate	2020 Assumption 8.02%	1% decrease 7.02%	1% decrease 9.02%
Liability (R'000)	695 122	737 992	656 444
Cost / (Saving)		42 870	-38 678
Retirement	2020 Assumption Retire at average age	Retire at average age -1	Retire at average age +1
Liability (R'000)	695122	631 722	759 662
Cost / (Saving)		-63 400	64 540

GRATUITY BENEFITS**Benefit Structure**

Employees who commenced employment prior to 01 September 1988 are eligible for Standard or Enhanced Gratuity Pensions, as follows:

Employees that were employed prior to the introduction of the PEM Pension Benefit Fund and who subsequently joined the Fund are eligible to be paid a Standard Gratuity, provided they have at least 10 years of service when they retire:

Employees that were employed prior to the introduction of the PEM Pension Benefit Fund and who chose not to join the Fund are eligible to be paid an Enhanced Gratuity for their years of service that they were not members of the Fund.

When an employee eligible for a Gratuity Pension dies in-service, half of the Gratuity Pension (including the monetary enhancement) as calculated at date of death, is paid.

Financial Valuation Assumptions

A summary of the economic assumptions that were used is given below:

Assumption	Current Valuation 30 June 201	Current Valuation 30 June 2019
Discount Rate	9.54%	9.29%
Future Inflation	6.51%	5.89%
Wage Inflation	7.51%	6.89%
Net Gap Enhanced Gratuities	1.89%	2.25%
Net Gap Standard Gratuities	0%	0%

Discount Rate Assumption:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on Government bonds. The cash flow weighted duration of the liabilities is approximately 6.0 years. Therefore, the nominal yield curve for SA Government bonds with duration of 10 years, has been used, as at 30 June 2018 and 2019. The resultant discount rate was 9.54% and 9.29% for 2018 and 2019, respectively.

The source of the data is the Johannesburg Stock Exchange through I-net BFA data service.

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NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

47 Information on Post Retirement Benefits (Continued)**Future Inflation Assumption:**

The general inflation assumption is used to estimate the base rate for determining the rate at which the future benefits will increase. We have estimated the market's pricing of inflation by comparing the yields on index-linked Government bonds and long-term Government bonds (at duration of 10 years). The implied inflation assumption is, therefore, 6.51% and 5.89% per annum for the future inflation for 2018 and 2019, respectively. The source of the data is the JSE through I-net BFA data service.

Future Salary Inflation Assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

It is assumed that salary inflation will exceed general inflation by 1.0% per annum. Therefore, we have used a salary inflation assumption of 7.51% and 6.89% per annum for 2018 and 2019, respectively.

Net Discount Rate:

The net discount rate is the gap between the discount rate and the expected increase in the salary inflation assumptions. The net discount rate (ignoring merit increases) is 1.89% and 2.25% per annum for 2018 and 2019, respectively, (derived from the discount rate of 9.54% and the expected salary inflation rate of 7.51%, for 2018 and for 2019, it was derived from a discount rate of 9.29% and the expected salary inflation rate of 6.89%).

The net gap used for the Standard Gratuity Pension is 0% since the benefit is assumed to increase by the discount rate. The Monetary Enhancement portion is assumed to remain constant until date of payment.

Demographic Valuation Assumptions**Pre-retirement mortality:**

It has been assumed that the pre-retirement mortality will be in line with the SA85-90 light table, rated down by 3 years for female members, which is a table reflecting mortality experience in South Africa.

Withdrawal Rates

Age	Females	Males
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
55+	0%	0%

Assumed Retirement Age:

The normal retirement age is 65 years. We have assumed that male employees will retire at age 63 and female employees will retire at age 58, which allows for the expected rates of early retirement.

Valuation Results

The Actuarial Liability was as follows at 30 June 2018 and 2019:

	30 June 2017 R'000	30 June 2018 R'000	30 June 2019 R'000
Standard Gratuity Pension Liability	10 234	10 307	9 481
Enhanced Gratuity Pension Liability	4 810	4 564	4 240
Monetary Enhancement	769	731	628
Total Accrued Liability	15 813	15 602	14 349
Balance Sheet Provision	15 813	15 602	14 349

Actuarial Gains and Losses

Disclosure of additional information relating to the costs and benefits that were paid or accrued in respect of employees during 2018 and 2019 financial years, were as follows:

Obligation	30 June 2018 R'000	30 June 2019 R'000
Obligation at beginning of the year	15 813	15 602
Interest Cost	1 237	1 408
Service Cost	207	234
Gratuity Payments	-2 406	-1 083
Actuarial (Gain) / Loss on basis	-16	-56
Actuarial (Gain) / Loss on experience	767	-1 756

Obligation at end of the year	15 602	14 349
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Projections

The projections of the expected change in the obligation over the period 30 June 2017 to 30 June 2020, is as follows:

Benefit Projection	Year Ending 30 June 2020 R'000	Year Ending 30 June 2021 R'000
Obligation at beginning of the year	14 349	10 646
Interest Cost	905	857
Service Cost	225	362
Expected Benefit Payments	-4 833	-1 785
Obligation at end of the year	10 646	10 080

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47 Information on Post Retirement Benefits (Continued)**Sensitivity Analysis**

The results of the valuation are dependent on the underlying assumptions made and the actual cost of the ex-gratia benefit will, however, depend on the actual experience. The tables below illustrate the likely impact certain changes to the underlying assumptions would have on the results:

Liability: the aggregate of the current service cost and interest cost components of the net periodic costs; and

Cost/(Saving): the accumulated obligation for the ex-gratia benefit obligation.

30 June 2018 Sensitivities:

	2018 Assumption 9.54%	1% decrease 8.54%	1% increase 10.54%
Discount Rate			
Liability (R'000)	16 324	15 890	15 341
Cost / (Saving) (R'000)		288	-261

30 June 2019 Sensitivities:

	2019 Assumption 9.29%	1% decrease 8.29%	1% increase 10.29%
Discount Rate			
Liability (R'000)	14 349	14 602	14 118
Cost / (Saving) (R'000)		253	-231

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48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION

ECONOMIC ENTITY					
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2019					
Cost	2 108 955 754	18 417 900 049	3 602 755 037	1 586 291 574	25 715 902 414
Transfers/Adjustments - Costs					-
Restatement - Cost	-	2 199 922	1 510 296	14 320	3 724 538
Disposal/Impairment					-
Transfers/Adjustments - Depreciation					-
Accumulated Depreciation	(311 023 037)	(6 088 527 092)	(1 030 690 898)	(903 802 045)	(8 334 043 072)
	1 797 932 717	12 331 572 879	2 573 574 435	682 503 849	17 385 583 880
Movement during the year ended 30 June 2020					
Acquisitions/ Take-on	10 080 132	759 879 702	53 087 881	(1 490 701)	821 557 014
Transfers / Adjustments - Cost	36 979 653	14 934 840	-	-	51 914 493
Useful lives Adjustment - Depreciation	(6 561 572)	(1 707 712)	-	-	(8 269 284)
Depreciation	(41 170 477)	(700 589 694)	(110 519 688)	(100 036 153)	(952 316 012)
	(672 264)	72 517 136	(57 431 807)	(101 526 854)	(87 113 789)
Carry Value of Disposals/Impairments during the year ended 30 June 2020					
Cost	(1 180 752)	-	-	-	(1 180 752)
Depreciation	1 022 378	-	-	219	1 022 597
	(158 374)	-	-	219	(158 155)
Carrying Values at 30 June 2020	1 797 102 079	12 404 090 015	2 516 142 628	580 977 214	17 298 311 936
Summary - Carrying Values at 30 June 2020					
Summary - Cost	2 154 834 787	19 194 914 513	3 657 353 214	1 584 815 193	26 591 917 707
Summary - Accumulated Depreciation	(357 732 708)	(6 790 824 498)	(1 141 210 586)	(1 003 837 979)	(9 293 605 771)
	1 797 102 079	12 404 090 015	2 516 142 628	580 977 214	17 298 311 936

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2018					
Cost	2 078 219 599	16 933 264 976	3 473 508 914	1 443 537 486	23 928 530 975
Transfers/Adjustments - Costs					-
Restatement - Cost	-	768 329			768 329
Disposal/Impairment					-
Transfers/Adjustments - Depreciation					-
Accumulated Depreciation	(274 933 372)	(5 461 695 870)	(931 599 240)	(789 185 908)	(7 457 414 390)
	1 803 286 227	11 472 337 435	2 541 909 674	654 351 578	16 471 884 914
Movement during the year ended 30 June 2019					
Acquisitions	29 738 598	1 459 879 744	113 096 728	50 739 838	1 653 454 908
Transfers / Adjustments - Cost	997 557	23 987 000	16 973 093	93 808 243	135 765 893
Transfers / Adjustment - Depreciation	-	-	-	-	-
Depreciation	(36 089 665)	(626 831 222)	(98 836 424)	(116 284 504)	(878 041 815)
	(5 353 510)	857 035 522	31 233 397	28 263 577	911 178 986
Carry Value of Disposals/Impairments during the year ended 30 June 2019					
Cost	-	-	(823 698)	(1 793 993)	(2 617 691)
Depreciation	-	-	(255 234)	1 668 367	1 413 133
	-	-	(1 078 932)	(125 626)	(1 204 558)
Carrying Values at 30 June 2019	1 797 932 717	12 329 372 957	2 572 064 139	682 489 529	17 381 859 342
Summary - Carrying Values at 30 June 2019					
Summary - Cost	2 108 955 754	18 417 900 049	3 602 755 037	1 586 291 574	25 715 902 414
Summary - Accumulated Depreciation	(311 023 037)	(6 088 527 092)	(1 030 690 898)	(903 802 045)	(8 334 043 072)
	1 797 932 717	12 329 372 957	2 572 064 139	682 489 529	17 381 859 342

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NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION (Continued)

MUNICIPALITY					
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2019					
Cost	2 091 509 659	18 417 900 049	3 602 755 037	1 581 969 124	25 694 133 869
Transfers/Adjustments - Costs					-
Restatement - Cost	-	2 199 922	1 510 296	14 320	3 724 538
Disposal/Impairment					-
Transfers/Adjustments - Depreciation					-
Accumulated Depreciation	(310 232 736)	(6 088 527 092)	(1 030 690 898)	(901 623 795)	(8 331 074 521)
	1 781 276 923	12 331 572 879	2 573 574 435	680 359 649	17 366 783 886
Movement during the year ended 30 June 2020					
Acquisitions/ Take-on	8 962 063	759 879 702	53 087 881	(3 183 039)	818 746 607
Transfers / Adjustments - Cost	36 979 653	14 934 840	-	-	51 914 493
Useful lives Adjustment - Depreciation	(6 561 572)	(1 707 712)			(8 269 284)
Depreciation	(40 842 562)	(700 589 694)	(110 519 688)	(99 276 032)	(951 227 976)
	(1 462 418)	72 517 136	(57 431 807)	(102 459 071)	(88 836 160)
Carry Value of Disposals/Impairments during the year ended 30 June 2020					
Cost	-	-	-	-	-
Depreciation	-	-	-	-	-
	-	-	-	-	-
Carrying Values at 30 June 2020	1 779 814 505	12 404 090 015	2 516 142 628	577 900 578	17 277 947 726
Summary - Carrying Values at 30 June 2020					
Summary - Cost	2 137 451 375	19 194 914 513	3 657 353 214	1 578 800 405	26 568 519 507
Summary - Accumulated Depreciation	(357 636 870)	(6 790 824 498)	(1 141 210 586)	(1 000 899 827)	(9 290 571 781)
	1 779 814 505	12 404 090 015	2 516 142 628	577 900 578	17 277 947 726

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2018					
Cost	2 067 301 622	16 933 264 976	3 473 508 914	1 440 191 354	23 914 266 866
Transfers/Adjustments - Costs					-
Restatement - Cost	-	768 329		-	768 329
Disposal/Impairment					-
Transfers/Adjustments - Depreciation					-
Accumulated Depreciation	(274 383 069)	(5 461 695 870)	(931 599 240)	(787 479 482)	(7 455 157 661)
	1 792 918 553	11 472 337 435	2 541 909 674	652 711 872	16 459 877 534
Movement during the year ended 30 June 2019					
Acquisitions	23 210 480	1 459 879 744	113 096 728	49 746 992	1 645 933 944
Transfers / Adjustments - Cost	997 557	23 987 000	16 973 093	93 808 243	135 765 893
Transfers / Adjustment - Depreciation	(35 849 667)	(626 831 222)	(98 836 424)	(115 812 450)	(877 329 763)
Depreciation					-
	(11 641 630)	857 035 522	31 233 397	27 742 785	904 370 074
Carry Value of Disposals/Impairments during the year ended 30 June 2019					
Cost	-		(823 698)	(1 777 465)	(2 601 163)
Depreciation	-		(255 234)	1 668 137	1 412 903
	-	-	(1 078 932)	(109 328)	(1 188 260)
Carrying Values at 30 June 2019	1 781 276 923	12 329 372 957	2 572 064 139	680 345 329	17 363 059 348
Summary - Carrying Values at 30 June 2019					
Summary - Cost	2 091 509 659	18 417 900 049	3 602 755 037	1 581 969 124	25 694 133 869
Summary - Accumulated Depreciation	(310 232 736)	(6 088 527 092)	(1 030 690 898)	(901 623 795)	(8 331 074 521)

1 781 276 923	12 329 372 957	2 572 064 139	680 345 329	17 363 059 348
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NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

49 HERITAGE ASSETS RECONCILIATION

ECONOMIC ENTITY	
Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2019	
Cost	233 228 949
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Impairment	(15 820 657)
	217 408 292
Movement during the year ended 30 June 2020	
Acquisition	1 063 855
Transfers / Adjustment	(7 157 159)
Impairment	(6 093 304)
Impairment value during the year ended 30 June 2020	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2020	211 314 988
Summary - Carrying Values at 30 June 2020	
Summary - Cost	227 135 645
Summary - Accumulated Impairment	(15 820 657)
	211 314 988

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2018	
Cost	229 700 993
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	-
	229 700 993
Movement during the year ended 30 June 2019	
Acquisition	3 075 851
Transfers / Adjustment	452 105
Impairment	(15 820 657)
	(12 292 701)
Impairment value during the year ended 30 June 2019	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2019	217 408 292
Summary - Carrying Values at 30 June 2019	
Summary - Cost	233 228 949
Summary - Accumulated Impairment	(15 820 657)
	217 408 292

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

49 HERITAGE ASSETS RECONCILIATION (Continued)

MUNICIPALITY	
Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2019	
Cost	232 978 449
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Impairment	(15 820 657)
	217 157 792
Movement during the year ended 30 June 2020	
Acquisition	1 063 855
Transfers / Adjustment	(7 157 159)
Impairment	
	(6 093 304)
Impairment value during the year ended 30 June 2020	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2020	211 064 488
Summary - Carrying Values at 30 June 2020	
Summary - Cost	226 885 145
Summary - Accumulated Impairment	(15 820 657)
	211 064 488

Reconciliation of Carrying Value	
Heritage Assets	
Restated Carry Value 1 July 2018	
Cost	229 450 493
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	-
	229 450 493
Movement during the year ended 30 June 2019	
Acquisition	3 075 851
Transfers / Adjustment	452 105
Impairment	(15 820 657)
	(12 292 701)
Impairment value during the year ended 30 June 2019	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2019	217 157 792
Summary - Carrying Values at 30 June 2019	
Summary - Cost	232 978 449
Summary - Accumulated Impairment	(15 820 657)
	217 157 792

No transfers were made between Heritage Assets and Other Assets

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50 INTANGIBLE ASSETS RECONCILIATION

ECONOMIC ENTITY	
Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2019	
Cost	618 273 951
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(249 608 957)
	368 664 994
Movement during the year ended 30 June 2020	
Acquisition	1 644 346
Transfers/Adjustments	-
Useful lives adjustment - Amortisation	-
Amortisation	(113 717 663)
	(112 073 317)
Impairment/ Disposal value during the year ended 30 June 2020	
Cost	136 827 667
Amortisation	-41 446 949
	95 380 718
Carrying Values at 30 June 2020	161 210 959
Summary - Carrying Values at 30 June 2020	
Summary - Cost	483 090 630
Summary - Accumulated Amortisation	(321 879 671)
	161 210 959

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2018	
Cost	601 427 024
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(158 775 669)
	442 651 355
Movement during the year ended 30 June 2019	
Acquisition	16 846 927
Transfers/Adjustments	-
Transfers/Adjustments	-
Amortisation	(90 833 288)
	(73 986 361)
Impairment/ Disposal value during the year ended 30 June 2019	
Cost	-
Amortisation	0
	-
Carrying Values at 30 June 2019	368 664 994
Summary - Carrying Values at 30 June 2019	
Summary - Cost	618 273 951
Summary - Accumulated Amortisation	(249 608 957)
	368 664 994

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

50 INTANGIBLE ASSETS RECONCILIATION (Continued)

MUNICIPALITY	
Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2019	
Cost	617 856 933
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(249 263 653)
	368 593 280
Movement during the year ended 30 June 2020	
Acquisition	1 379 301
Transfers/Adjustments	-
Useful lives adjustment - Amortisation	(113 692 955)
Amortisation	(112 313 654)
Impairment/ Disposal value during the year ended 30 June 2020	
Cost	136 827 667
Amortisation	-41 446 949
	95 380 718
Carrying Values at 30 June 2020	160 898 908
Summary - Carrying Values at 30 June 2020	
Summary - Cost	482 408 567
Summary - Accumulated Amortisation	(321 509 659)
	160 898 908

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2018	
Cost	601 049 806
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(158 449 608)
	442 600 198
Movement during the year ended 30 June 2019	
Acquisition	16 807 127
Transfers/Adjustments	-
Transfers/Adjustments	(90 814 045)
Amortisation	(74 006 918)
Impairment/ Disposal value during the year ended 30 June 2019	
Cost	-
Amortisation	0
	-
Carrying Values at 30 June 2019	368 593 280
Summary - Carrying Values at 30 June 2019	
Summary - Cost	617 856 933
Summary - Accumulated Amortisation	(249 263 653)
	368 593 280

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

51 INVESTMENT PROPERTY RECONCILIATION

ECONOMIC ENTITY AND MUNICIPALITY	
Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2019	
Cost	290 642 147
Restatement - Cost	-
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	-
Accumulated Depreciation	(73 816 625)
	216 825 522
Movement during the year ended 30 June 2020	
Acquisition / Take-on	
Transfers/Adjustments	(54 023 735)
Transfers/Adjustments	8 269 284
Depreciation	(5 983 529)
	(51 737 980)
Carry Value of Disposals for the year ended 30 June 2020	
Cost	-
Depreciation	-
	-
Carrying Values at 30 June 2020	165 087 542
Summary - Carrying Values at 30 June 2020	
Summary - Cost	236 618 412
Summary - Accumulated Depreciation	(71 530 870)
	165 087 542

Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2018	
Cost	289 847 527
Restatement - Cost	-
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	-
Accumulated Depreciation	(69 467 800)
	220 379 727
Movement during the year ended 30 June 2019	
Acquisition	794 620
Transfers/Adjustments	-
Transfers/Adjustments	-
Depreciation	(4 348 825)
	(3 554 205)
Carry Value of Disposals for the year ended 30 June 2019	
Cost	-
Depreciation	-
	-
Carrying Values at 30 June 2019	216 825 522
Summary - Carrying Values at 30 June 2019	
Summary - Cost	290 642 147
Summary - Accumulated Depreciation	(73 816 625)
	216 825 522

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

52 FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

Financial assets: At Amortised Cost
 Financial liabilities: At amortised cost
 Financial Assets: At Fair Value

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities are assumed.

The amounts relating to financial instruments reflected below approximates fair value

ECONOMIC ENTITY	2020			Restated 2019		
	Financial Instruments at Amortised Cost	Non financial assets	Total	Financial Instruments at Amortised Cost	Non financial assets	Total
	R	R	R	R	R	R
ASSETS						
Property, Plant and Equipment		17 298 311 936	17 298 311 936		17 381 859 342	17 381 859 342
Heritage Assets		211 314 988	211 314 988		217 408 292	217 408 292
Intangible Assets		161 210 959	161 210 959		368 664 994	368 664 994
Investment Property		165 087 542	165 087 542		216 825 522	216 825 522
Long-term Receivables - Exchange Transactions	33 754 038	33 754 038	33 754 038	60 508 659	60 508 659	60 508 659
Long-term Receivables - Non-exchange Transactions		19 389 791	19 389 791		29 687 964	29 687 964
Inventory		154 163 846	154 163 846		133 005 498	133 005 498
Trade Receivables - Exchange Transactions	1 908 793 060		1 908 793 060	1 628 698 450		1 628 698 450
Trade Receivables - Non-Exchange Transactions	393 364 022			247 536 983		
Other Receivables - Non-Exchange Transactions	2 100			159 158		
Other Receivables - Exchange Transactions	1 094 931 550		1 094 931 550	422 524 040		422 524 040
VAT		0	0		7 369 476	7 369 476
Short-term investment deposits (excluding Sanlam Shares)	2 309 903 834		2 309 903 834	3 009 413 994		3 009 413 994
Bank balances and cash	951 893 560		951 893 560	200 198 494		200 198 494
	6 692 642 164	18 009 479 062	24 308 755 104	5 569 039 778	18 354 821 088	23 676 164 725
LIABILITIES						
Long-term Liabilities	1 016 456 460		1 016 456 460	1 118 615 583		1 118 615 583
Non-current Provisions - Employee Benefits		1 820 657 249	1 820 657 249		2 041 991 000	2 041 991 000
Non-current Provisions - Other		431 777 433	431 777 433		478 738 801	478 738 801
Consumer deposits	156 387 079		156 387 079	153 373 601		153 373 601
Current Provisions - Employee Benefits		178 827 593	178 827 593		177 115 647	177 115 647
Current Provisions - Other		3 275 000	3 275 000		82 002	82 002
Trade and Other Payables	1 889 693 397		1 889 693 397	2 275 534 809		2 275 534 809
Transfers and Subsidies	734 461 768		734 461 768	297 804 563		297 804 563
VAT		154 197 436	154 197 436		65 476 944	65 476 944
Current Portion of Long-term Liabilities	99 142 909		99 142 909	89 658 501		89 658 501
	3 896 141 613	2 588 734 711	6 484 876 324	3 934 987 057	2 763 404 394	6 698 391 451
Net Assets		18 219 656 668	18 219 656 668		17 228 667 644	17 228 667 644
Financial Asset at Fair Value				Financial Asset at Fair Value		
Sanlam Shares - Valued at the open market value	2 411 766		(2 411 766)	3 198 229		(3 198 229)
	2 798 912 319	(2 798 912 319)	0	1 637 250 950	(1 637 250 950)	0
Financial Asset at amortised cost			2020			Restated 2019
Opening balance			5 569 039 778			4 767 253 722
<i>Net other movements</i>			1 123 602 386			801 786 056
Closing balance			6 692 642 164			5 569 039 778
Financial liabilities at amortised cost						
Opening balance			3 934 987 057			3 907 590 770
<i>Net other movements</i>			(38 845 444)			27 396 287
Closing balance			3 896 141 613			3 934 987 057

There were no re-classifications during the current financial year other than which have already been disclosed under Note 40.*

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

52 FINANCIAL INSTRUMENTS (Continued)

MUNICIPALITY	2020			Restated 2019		
	Financial Instruments at Amortised Cost	Non financial assets	Total	Financial Instruments at Amortised Cost	Non financial assets	Total
	R	R	R	R	R	R
ASSETS						
Property, Plant and Equipment		17 277 947 726	17 277 947 726		17 363 059 348	17 363 059 348
Heritage Assets		211 064 488	211 064 488		217 157 792	217 157 792
Intangible Assets		160 898 908	160 898 908		368 593 280	368 593 280
Investment Property		165 087 542	165 087 542		216 825 522	216 825 522
Long-term Receivables - Exchange Transactions	33 754 038	33 754 038	60 508 659	60 508 659		60 508 659
Long-term Receivables - Non-exchange Transactions		19 389 791	19 389 791		29 687 964	29 687 964
Inventory		154 015 248	154 015 248		132 843 468	132 843 468
Trade Receivables - Exchange Transactions	1 908 793 060		1 908 793 060	1 628 698 450		1 628 698 450
Trade Receivables - Non-Exchange Transactions	393 364 022			247 536 983		
Other Receivables - Non-Exchange Transactions	0			0		
Other Receivables - Exchange Transactions	1 090 562 828		1 090 562 828	401 069 457		401 069 457
VAT		0	0		0	0
Short-term investment deposits (excluding Sanlam Shares)	2 309 903 834		2 309 903 834	3 009 413 994		3 009 413 994
Bank balances and cash	908 059 281		908 059 281	189 601 008		189 601 008
	6 644 437 063	17 988 403 703	24 239 476 744	5 536 828 551	18 328 167 374	23 617 458 942

LIABILITIES	Financial Instruments at Amortised Cost	Non financial liabilities	Total	Financial Instruments at Amortised Cost	Non financial liabilities	Total
	R	R	R	R	R	R
	R	R	R	R	R	R
Long-term Liabilities	1 016 371 753		1 016 371 753	1 116 776 821		1 116 776 821
Non-current Provisions - Employee Benefits		1 820 657 249	1 820 657 249		2 041 991 000	2 041 991 000
Non-current Provisions - Other		431 777 433	431 777 433		478 738 801	478 738 801
Consumer deposits	156 387 079		156 387 079	153 373 601		153 373 601
Current Provisions - Employee Benefits		177 389 605	177 389 605		175 963 570	175 963 570
Current Provisions - Other		3 275 000	3 275 000		82 002	82 002
Trade and Other Payables	1 853 593 475		1 853 593 475	2 243 514 682		2 243 514 682
Transfers and Subsidies	729 406 019		729 406 019	295 261 516		295 261 516
VAT		150 946 268	150 946 268		65 476 944	65 476 944
Current Portion of Long-term Liabilities	99 142 909		99 142 909	89 658 501		89 658 501
	3 854 901 235	2 584 045 555	6 438 946 790	3 898 585 121	2 762 252 317	6 660 837 438

Net Assets 18 196 305 742 18 196 305 742 17 207 356 716 17 207 356 716

Financial Asset at Fair Value

Sanlam Shares - Valued at the open market value

Financial Asset at Fair Value	Financial Asset at Fair Value
2 411 766	3 198 229
2 791 947 596	(1 641 441 659)
0	0

Financial Asset at amortised cost

Opening balance

Net other movements

Closing balance

2020	Restated 2019
5 536 828 551	4 724 892 868
1 107 608 512	811 935 683
6 644 437 063	5 536 828 551

Financial liabilities at amortised cost

Opening balance

Net other movements

Closing balance

2020	Restated 2019
3 898 585 121	3 868 185 028
(43 683 886)	30 400 093
3 854 901 235	3 898 585 121

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

53 EXPLANATION FOR OPERATING VARIANCES: ECONOMIC ENTITY AND MUNICIPALITY

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2019 as approved by National Treasury.

The Original Budget was approved on 30 May 2019 for the 2019/20 financial year (01 July 2019 to 30 June 2020), and the Final Budget was approved on 29 June 2020.

NMBM uses the accrual basis of accounting for its Budget.

The reconciliation of the Original approved Budget and Final Adjustment Budget and Actual amounts are shown on the face of the Statement of Financial Performance, with the reasons in variances explained below.

ACTUAL VERSUS APPROVED FINAL ADJUSTMENT BUDGET (REVENUE AND EXPENDITURE)

Explanations of Significant Variances and those greater than 10% versus Budget - The 10% threshold was considered to be the best indicator to meet performance.

1 Service Charges

Actual electricity revenue in relation to industrial consumers were less than budgeted for.

2 Interest earned - Investments

Interest increased due to strict cash flow management.

3 Interest raised - Outstanding Debtors

Interest on outstanding debt reduced as a result bad debts write-offs.

4 Licences and Permits

Due to the ad hoc nature of this income source, accurate income projections are not possible.

5 Rental of facilities and equipment

Due to under utilisation of the facilities during the financial year.

6 Income for Agency Services

Due to the ad hoc nature of this income source, accurate income projections are not possible.

7 Other Revenue

Due to the ad hoc nature of this income source, accurate income projections are not possible. There were also a major decrease in Revenue from the Stadium as a result of the COVID-19 lockdown period.

8 Transfers and Subsidies

The decrease is due to underspending of capital budget as result of COVID-19.

9 Employee Related Costs

The underspending is due to the actuarial valuation of the post retirement benefits.

10 Impairment - Receivables

Due to the increase in tariffs as a result of water restrictions, it caused the debt to increase resulting in non-payment of outstanding debt by consumers.

11 Impairment - Other

Less Traffic Fines compared to the budget was impaired than initially anticipated.

12 Transfers and Subsidies

The underspending is due to the capital portion of the MBDA grant being transferred to fund capital expenditure.

13 Contracted Services

Significant underspending on certain expenditure items due to COVID-19. Also refer note 30.1

14 Other Expenditure

Significant underspending in certain expenditure items due to COVID-19. Also refer note 30.2

15 Other Materials

Significant underspending in certain expenditure items due to COVID-19. Also refer note 30.3

16 Depreciation, Amortisation, Impairment

Refer to note 55.1 for further details.

	NELSON MANDELA BAY METROPOLITAN MUNICIPALITY							
	NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020							
54	EXPLANATION FOR CAPITAL VARIANCES:							
	APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:							
	In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2019 as approved by National Treasury.							
	The Original Budget was approved on 30 May 2019 for the 2019/20 financial year (01 July 2019 to 30 June 2020), and the Final Budget was approved on 29 June 2020.							
	NMBM uses the accrual basis of accounting for its Budget.							
	See below reconciliation between the Budget and the Actual expenditure:							
	ACTUAL EXPENDITURE VERSUS 2019/20 CAPITAL BUDGET	Approved 2019/20 Capital Budget	Total Final 2019/20 Capital Adjustments Budget	2019/20 Actual Expenditure as at 30 June 2020	Variance	% Variance	Explanation of Variances greater than 10 %	
	Infrastructure & Engineering - Roads & Storm water	482 068 420	481 268 240	221 047 363	260 220 877	54	Under-expenditure due to COVID 19	
	Human Settlements	200 628 550	72 181 160	42 244 850	29 936 310	41	Under-expenditure due to COVID 19	
	Economic Development, Tourism & Agriculture	75 229 184	93 248 177	10 360 865	82 887 312	89	Under-expenditure due to COVID 19	
	Sport, Recreational and Cultural Service	44 150 000	36 946 000	11 653 121	25 292 879	68	Under-expenditure due to COVID 19	
	Safety & Security	29 399 600	25 399 600	17 445 391	7 954 209	31	Under-expenditure due to COVID 19	
	Budget & Treasury	32 588 500	16 588 500	835 735	15 752 765	95	Under-expenditure due to COVID 19	
	Public Health	61 200 950	59 200 950	51 799 132	7 401 818	13	Under-expenditure due to COVID 19	
	Corporate Services	34 585 000	34 585 000	18 593 366	15 991 634	46	Under-expenditure due to COVID 19	
	Sanitation Service	306 550 000	171 879 990	133 898 925	37 981 065	22	Under-expenditure due to COVID 19	
	Water Service	317 500 000	398 083 030	204 230 222	193 852 808	49	Under-expenditure due to COVID 19	
	Electricity & Energy	223 395 790	160 426 100	125 489 061	34 937 039	22	Under-expenditure due to COVID 19	
	Executive and Council	11 040 870	11 040 870	-	11 040 870	100	Under-expenditure due to COVID 19	
	Mandela Bay Stadium	5 000 000	0	-	-	-		
		1 823 336 864	1 560 847 617	837 598 030	723 249 587	46		
	CONTROLLED ENTITIES							
	Mandela Bay Development Agency	9 291 120	11 707 209	20 926 761	(9 219 552)	-79	Increase in the purchase of Land and Buildings	
	ECONOMIC ENTITY	1 832 627 984	0	1 572 554 826	858 524 791	714 030 035		

NOTE 55.1
ECONOMIC ENTITY'S: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2020

	COST										ACCUMULATED DEPRECIATION										Carrying Value
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Disposals	Impairment	Closing Balance			
Land & Buildings																					
Buildings	980 882 713		980 882 713	32 479 653		-	6 857 609	-	-	1 020 219 975	310 232 736		310 232 736	6 561 572	40 842 562		-	357 636 870	662 583 105		
Land	1 110 626 947		1 110 626 947	4 500 000	2 104 454		-	-	-	1 117 231 402	-		-	-	-	-	-	-	1 117 231 402		
	2 091 509 660	-	2 091 509 660	36 979 653	2 104 454	-	6 857 609	-	-	2 137 451 377	310 232 736	-	310 232 736	6 561 572	40 842 562	-	-	357 636 870	1 779 814 507		
Infrastructure Assets																					
Roads, Sidewalks & Stormwater Network	7 427 300 450	370 021	7 427 670 470	2 290 372	17 888 782	30 914 240	256 254 547			7 735 018 412	2 570 372 010		2 570 372 010		290 717 959			2 861 089 970	4 873 928 443		
Beach Developments	73 275 718		73 275 718	17 044 081			882 948			91 202 747	17 356 908		17 356 908	1 707 712	2 338 587			21 403 208	69 799 540		
Electricity Reticulation & Supply	3 410 518 425	23 181	3 410 541 606				95 124 480			3 505 666 085	1 157 257 038		1 157 257 038		100 697 230			1 257 954 268	2 247 711 818		
Fencing	157 831 531		157 831 531			0	22 153 628			180 982 012	41 763 706		41 763 706		21 241 184			63 004 890	117 947 122		
Sewerage Mains & Purification Works	3 088 046 989	508 651	3 088 555 640			174 635	132 874 582			3 221 604 856	1 145 263 329		1 145 263 329		127 437 023			1 272 700 351	1 948 904 505		
Waste Disposal Facilities	47 299 141		47 299 141				1 894 262			49 193 404	3 410 503		3 410 503		1 043 749			4 454 252	44 738 152		
Water Supply & Reticulation	2 754 802 830	181 859	2 754 984 689		500 000	19 831 765	91 372 296			2 866 688 750	869 686 879		869 686 879		121 038 356			990 726 235	1 875 963 515		
Dams & Treatment Works	1 453 835 319		1 453 835 319			1	95 210 567			1 549 045 888	280 966 546		280 966 546		44 980 154			325 946 700	1 223 099 188		
Wi-Fi Infrastructure	6 604 949		6 604 949				-			6 604 949	2 450 171		2 450 171		2 158 045			4 608 216	1 996 734		
	18 419 515 352	2 050 564	18 421 565 917	19 334 453	18 388 782	50 920 641	695 767 311	-	-	19 205 977 103	6 088 527 090	-	6 088 527 090	1 707 712	711 652 286	-	-	6 801 887 088	12 404 090 015		
Community Assets																					
Libraries	41 746 571		41 746 571			-	2 933 578			44 680 149	14 342 298		14 342 298		1 185 303			15 527 602	29 152 547		
Library Books	98 321 306		98 321 306			-	-			98 321 306	33 763 583		33 763 583		2 934 442			36 698 025	61 623 281		
Fire Stations	75 158 763		75 158 763			-	249 032			75 407 795	25 324 196		25 324 196		3 295 179			28 619 375	46 788 420		
Cemeteries	99 914 103		99 914 103			-	5 625 106			105 539 209	21 524 642		21 524 642		5 066 684			26 591 327	79 147 862		
Clinics	5 744 470		5 744 470			-	-			5 744 470	1 364 397		1 364 397		765 697			2 130 093	3 614 377		
Community Centres	268 666 475		268 666 475			-	218 856			268 885 331	85 376 342		85 376 342		7 998 334			93 374 676	175 510 655		
Public Conveniences	12 363 618		12 363 618			-	1 255 764			13 619 382	3 423 694		3 423 694		411 578			3 835 272	9 784 110		
Swimming Pools	90 695 698		90 695 698			-	3 073 858			93 769 556	28 488 636		28 488 636		2 512 054			31 000 689	62 768 867		
Recreational Facilities	2 841 817 317	1 510 296	2 843 327 613	3 724 546	15 699 122	14 115 456	9 620 373			2 886 487 110	775 920 519		775 920 519		84 946 173			860 866 692	2 025 620 418		
Selling & Letting Schemes	64 602 172		64 602 172			-	96 735			64 698 907	41 162 594		41 162 594		1 404 243			42 566 837	22 132 071		
	3 599 030 493	1 510 296	3 600 540 789	3 724 546	15 699 122	14 115 456	23 273 303	-	-	3 657 353 216	1 030 690 900	-	1 030 690 900	-	110 519 688	-	-	1 141 210 588	2 516 142 628		
Other Assets																					
Bins & Containers	29 983 253		29 983 253		-	-	35 837			30 019 089	9 513 511		9 513 511		3 553 917			13 067 429	16 951 661		
Vehicles & Plant	640 899 336		640 899 336			14 097 794	-			654 997 130	426 840 701		426 840 701		31 753 007			458 593 708	196 403 422		
Office Furniture & Fittings	225 902 116	14 320	225 916 436			13 144 271	-			239 060 707	185 156 334		185 156 334		17 712 803			202 869 136	36 191 571		
Air Monitoring Facilities	24 511		24 511			-	-			24 511	11 626		11 626		1 189			12 815	11 695		
Security Systems	10 395 538		10 395 538			-	-			10 395 538	10 395 537		10 395 537		1			10 395 538	-		
Tip Sites	492 400 827		492 400 827	-48 923 469			5 318 257			448 795 614	143 565 623		143 565 623		46 255 114			189 820 737	258 974 877		
Computer Hardware	182 363 542		182 363 542			13 144 271	-			195 507 813	126 140 463		126 140 463		-			126 140 463	69 367 351		
	1 581 969 122	14 320	1 581 983 441	-48 923 469	-	40 386 337	5 354 093	-	-	1 578 800 402	901 623 794	-	901 623 794	-	99 276 032	-	-	1 000 899 826	577 900 576		
MBDA:																					
Land and Buildings	17 446 096		17 446 096			1 118 069	-	1 180 752		17 383 413	790 302		790 302		327 915	1 022 378		95 839	17 287 574		
Other Assets	4 322 448		4 322 448			1 692 338	-	-		6 014 786	2 178 250		2 178 250		760 121	219		2 938 152	3 076 634		
	25 713 793 172	3 575 180	25 695 599 807	11 115 183	36 192 358	108 232 841	731 252 316	-	-	26 602 980 297	8 334 043 072	-	8 334 043 072	8 269 284	963 378 604	-	-	9 304 668 364	17 288 311 933		

NOTE 55.1(CONTINUED)																			
ECONOMIC ENTITY'S: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2020																			
	COST										ACCUMULATED AMORTISATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfer	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Intangible																			
Computer Software - Internally Generated	219 956 400		219 956 400					-		219 956 400	67 082 319		67 082 319		64 116 636			131 198 955	88 757 445
MBDA	417 018		417 018			265 045				682 063	345 304		345 304		24 708			370 012	312 051
Computer Software - Other	397 900 534		397 900 534				1 379 301		136 827 667	262 482 169	182 181 334		182 181 334		49 576 320		-41 446 949	190 310 705	72 141 463
	617 856 934		617 856 934	-		-	1 379 301		136 827 667	483 090 631	249 608 958		249 263 654		113 717 663		-41 446 949	321 879 672	161 210 950
ECONOMIC ENTITY'S: ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2020																			
	COST										ACCUMULATED DEPRECIATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfer	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Investment Property																			
Land & Buildings	290 642 148		290 642 148	-54 023 735	-	-	-			236 618 413	73 816 626	-	73 816 626	-8 269 284	5 983 529			71 530 871	165 087 542
ECONOMIC ENTITY'S: ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2020																			
	COST										ACCUMULATED DEPRECIATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfer	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Heritage Assets																			
Heritage Buildings	144 390 859		144 390 859	-7 157 159	1 063 855	-	-			138 297 555	-		-	-	-	-	-	-	138 297 555
Memorials & Statues	48 070 066	452 105	48 522 171			-	-			48 522 171	-		-	-	-	-	-	-	48 522 171
Land	6 655 783		6 655 783			-	-			6 655 783	-		-	-	-	-	-	-	6 655 783
MBDA	250 500		250 500				-			250 500	-		-	-	-	-	-	-	250 500
Art Works	17 588 979		17 588 979				-			17 588 979	-		-	-	-	-	-	-	17 588 979
	216 956 187	452 105	217 408 292	-7 157 159	1 063 855	-	-	-	-	211 314 988	-	-	-	-	-	-	-	-	211 314 988
Grant Totals Assets	26 839 248 440	3 575 180	26 820 804 575	-56 980 629	37 256 213	104 800 183	732 631 617	-	136 827 667	27 592 584 292	8 657 468 656	-	8 657 123 352	0	1 083 079 797	-	-41 446 949	9 698 078 907	17 835 925 421

The amount of impairment losses recognized, and the amount of impairment losses reversed, during the period is in accordance with GRAP 26. There were no transfers from PPE to Inventory.

**NOTE 55.2
ECONOMIC ENTITY'S**

WORK IN PROGRESS (WIP) / UNDER-CONSTRUCTION included in the Carrying Value as per note 55.1

PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2020

Details	Opening Balance	Acquisition	Transferred to Asset	Closing Balance
Land & Buildings				
Buildings	12 815 443	6 857 609	-15 474 657	4 198 395
	12 815 443	6 857 609	-15 474 657	4 198 395
Infrastructure Assets				
Roads, Sidewalks & Stormwater Network	400 216 848	256 472 583	-325 267 093	331 422 338
Beach Developments	2 676 250	882 948	-2 673 906	885 292
Electricity Reticulation & Supply	8 807 035	94 421 617	-69 634 913	33 593 740
Fencing	1 062 729	23 120 481	-2 196 711	21 986 498
Sewerage Mains & Purification Works	488 203 238	133 383 233	-249 718 838	371 867 633
Waste Disposal Facilities	8 356 541	1 894 262	-8 356 541	1 894 262
Water Supply & Reticulation	234 480 035	91 554 155	-122 497 291	203 536 899
Dams & Treatment Works	106 906 669	95 210 567	-100 947 652	101 169 585
	1 250 709 344	696 939 847	-881 292 944	1 066 356 246
Community Assets				
Libraries	10 795 215	2 933 578	-1 627 551	12 101 241
Fire Stations	5 024 908	249 032	-5 273 941	-
Cemeteries	9 586	5 825 106	-9 586	5 825 106
Clinics	613 965	-	-613 965	-
Community Centres	946	218 856	-219 802	-
Swimming Pools	3 378 993	3 073 858	-3 378 993	3 073 858
Public Conveniences		1 255 764	-2 344	1 253 420
Recreational Facilities	3 895 857	22 384 687	-3 102 551	23 177 992
	23 719 470	35 940 881	-14 228 734	45 431 617
Other Assets				
Tip Sites	7 273 547	5 318 257	-7 272 974	5 318 829
Bins & Containers	343 892	35 837	-379 729	-
	7 617 439	5 354 093	-7 652 703	5 318 829
	1 294 861 695	745 092 430	-918 649 038	1 121 305 087
INTANGIBLE ASSETS AS AT 30 JUNE 2020				
Details				Amount
Intangible				
Computer Software	372 189	1 379 301	-372 189	1 379 301
INVESTMENT PROPERTY AS AT 30 JUNE 2020				
Details				Amount
Investment Property				
Land & Buildings	-	-	-	-
HERITAGE ASSETS AS AT 30 JUNE 2020				
Details				Amount
Heritage Assets				-
Grand Total	1 295 233 885	746 471 731	-919 021 227	1 122 684 389

Some property, plant and equipment have taken a longer period to complete than expected, due to delays.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

ECONOMIC ENTITY	Actual 2020 R	Approved Original Budget 2020 R	Adjustments 2020 R	Approved Final Budget 2020 R	Variance between Final Budget and Actual 2020 R	%	No.
NET ASSETS AND LIABILITIES							
Net Assets							
Total Accumulated Funds	18 219 656 668	17 888 426 487	(401 647 380)	17 486 779 107	(732 877 561)	-4%	1
Non-current Liabilities	3 268 891 142	4 292 279 405	(424 743 984)	3 867 535 421			
Long-term Liabilities	1 016 456 460	1 360 540 745	(341 068 417)	1 019 472 328	3 015 868	0%	
Non-current Provisions - Employee Benefits	1 820 657 249	2 482 281 000	-141 450 713	2 340 830 287	520 173 038	22%	2
Non-current Provisions - Other	431 777 433	449 457 660	57 775 146	507 232 806	75 455 373	15%	2
Current Liabilities	3 215 985 182	3 234 674 422	-65 183 342	3 169 491 080			
Current Provisions - Employee Benefits	178 827 593	261 574 930	-31 175 896	230 399 034	48 296 441	21%	3
Current Provisions - Other	3 275 000	0	0	0	0		
Consumer Deposits	156 387 079	166 136 802	-8 007 446	158 129 356	1 742 277	1%	
Trade and Other Payables	1 889 693 397	2 707 819 780	(26 000 000)	2 681 819 780	(96 532 821)	-4%	4
Transfers and Subsidies	734 461 768	0	0	0			
VAT	154 197 436	0	0	0			
Current Portion of Long-term Liabilities	99 142 909	99 142 910	0	99 142 910	1	0%	
Total Net Assets and Liabilities	24 704 532 992	25 415 380 314	(891 574 706)	24 523 805 608			
ASSETS							
Non-current Assets	17 889 069 254	19 983 386 863	-880 650 140	19 102 736 723			
Property, Plant and Equipment (PPE)	17 298 311 936	19 047 037 429	-810 885 616	18 236 151 813	937 839 877	5%	5
Heritage Assets	211 314 988	211 064 488	18 386 005	229 450 493	18 135 505	8%	
Intangible Assets	161 210 959	420 165 102	-94 698 103	325 466 999	164 256 040	50%	6
Investment Property	165 087 542	223 638 314	-6 629 397	217 008 917	51 921 375	24%	7
Long-term Receivables - Exchange Transactions	33 754 038	81 481 530	13 176 971	94 658 501	41 514 672	44%	8
Long-term Receivables - Non-exchange Transactions	19 389 791	0	0	0			
Current Assets	6 815 463 738	5 431 995 552	(10 767 510)	5 421 228 042			
Inventory	154 163 846	198 054 430	-38 398 657	159 655 773	5 491 927	3%	
Trade Receivables - Exchange Transactions	1 908 793 060	2 293 086 838	-71 141 981	2 221 944 857	(80 212 225)	-4%	9
Trade Receivables - Non-exchange Transactions	393 364 022	0	0	0	0		
Other Receivables - Non-exchange Transactions	2 100	2 100	157 058	159 158	157 058		
Other Receivables - Exchange Transactions	1 094 931 550	423 858 710	2 000 000	425 858 710	(669 072 840)	-157%	10
VAT	0	0	0	0	0		
Call Deposits and Investments	2 309 903 834	2 316 793 474	96 616 070	2 413 409 544	101 093 944	4%	11
Call Deposits and Investments - Other	2 411 766	0	0	0			
Bank Balances and Cash	951 893 560	200 200 000	0	200 200 000	(751 693 560)	-375%	12
Total Assets	24 704 532 992	25 415 382 415	(891 417 650)	24 523 964 765			

Refer to Note 57 of the Financial Statements for explanation of variances

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUES)							
ECONOMIC ENTITY	Actual 2020 R	Approved Original Budget 2020 R	Adjustments 2020 R	Approved Final Budget 2020 R	Variance between Final Budget and Actual 2020 R	%	No.
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts from ratepayers, government and other	9 480 233 515	11 361 606 866	-637 808 357	10 723 798 509			
- Sale of goods and services, fines and taxes levied	6 829 904 022	8 118 334 779	-693 648 612	7 424 686 167	594 782 145	8%	1
- Grants	2 417 180 306	3 130 156 208	7 962 134	3 138 118 342	720 938 036	23%	2
- Interest received	233 149 187	113 115 879	47 878 121	160 994 000	(72 155 187)	-45%	3
Cash paid to suppliers and employees	(8 501 840 286)	(9 659 475 786)	122 836 659	(9 536 639 127)			
- Employee Costs	(3 343 073 061)	(3 476 742 000)	0	(3 476 742 000)	(133 668 939)	4%	4
- Suppliers	(5 030 771 449)	(6 009 373 206)	88 837 719	(5 920 535 487)	(889 764 038)	15%	5
- Finance Cost	(127 995 776)	(173 360 580)	33 998 940	(139 361 640)	(11 365 864)	8%	
CASH GENERATED FROM OPERATIONS	978 393 229	1 702 131 080	-514 971 698	1 187 159 382			
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of PPE	(833 841 621)	(1 886 287 128)	210 462 716	(1 675 824 412)	(839 274 590)	50%	6
Proceeds on Disposal of PPE	0	0	0	0			
Purchase of Intangible assets	(1 644 346)	0	0	0			
Purchase of Investment Property	0	0	0	0			
Purchase of Heritage Assets	(1 063 855)	0	0	0	1 063 855		
Increase in Other Non-Current Receivables	0	(14 219 219)	1 042 248	-13 176 971	(13 176 971)		
NET CASH FLOW FROM INVESTING ACTIVITIES	(836 549 822)	(1 900 506 347)	211 504 964	(1 689 001 383)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase in Consumer Deposits	0	16 916 025	-24 923 471	-8 007 446	(8 007 446)		
Repayment of Non-current Liabilities (external loan funding)	(89 658 501)	(192 981 720)	97 870 985	(95 110 735)	(5 452 234)	6%	
Increase in Borrowings	0	286 370 000	-286 370 000	0	0		
NET CASH FLOW FROM FINANCING ACTIVITIES	(89 658 501)	110 304 305	(213 422 486)	(103 118 181)			
NET CHANGE IN CASH AND CASH EQUIVALENTS	52 184 906	-88 070 962	(516 889 220)	(604 960 182)			
Cash and cash equivalents at the beginning of the year	3 209 612 488	2 605 064 000	613 505 726	3 218 569 726	8 957 238	0%	
Cash and cash equivalents at the end of the year	3 261 797 394	2 516 993 038	96 616 506	2 613 609 544			

Refer to Note 57 of the Financial Statements for explanation of variances

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUES)

MUNICIPALITY	Actual 2020 R	Approved Original Budget 2020 R	Adjustments 2020 R	Approved Final Budget 2020 R	Variance between Final Budget and Actual 2020 R	%	No.
NET ASSETS AND LIABILITIES							
Net Assets							
Total Accumulated Funds	18 196 305 742	17 783 385 141	(388 395 475)	17 394 989 666	(801 316 076)	-5%	1
Non-current Liabilities	3 268 806 435	4 292 279 405	(424 743 984)	3 867 535 421			
Long-term Liabilities	1 016 371 753	1 360 540 745	(341 068 417)	1 019 472 328	3 100 575	0%	
Non-current Provisions - Employee Benefits	1 820 657 249	2 482 281 000	-141 450 713	2 340 830 287	520 173 038	22%	2
Non-current Provisions - Other	431 777 433	449 457 660	57 775 146	507 232 806	75 455 373	15%	2
Current Liabilities	3 170 140 355	3 188 208 072	-36 183 342	3 152 024 730			
Current Provisions - Employee Benefits	177 389 605	257 574 930	-28 175 896	229 399 034	48 734 429	21%	3
Current Provisions - Other	3 275 000		0	0			
Consumer Deposits	156 387 079	166 136 802	(8 007 446)	158 129 356	1 742 277	1%	
Trade and Other Payables	1 853 593 475	2 665 353 430	0	2 665 353 430	(68 592 332)	-3%	4
Transfers and Subsidies	729 406 019	0	0	0			
VAT	150 946 268	0	0	0			
Current Portion of Long-term Liabilities	99 142 909	99 142 910	0	99 142 910	1	0%	
Total Net Assets and Liabilities	24 635 252 532	25 263 872 618	(849 322 801)	24 414 549 817			
ASSETS							
Non-current Assets	17 868 142 493	19 850 672 980	-839 117 762	19 011 555 218			
Property, Plant and Equipment (PPE)	17 277 947 726	18 925 187 835	-771 530 165	18 153 657 670	875 709 944	5%	5
Heritage Assets	211 064 488	211 064 488	18 386 005	229 450 493	18 386 005	8%	
Intangible Assets	160 898 908	417 800 813	-95 121 176	322 679 637	161 780 729	50%	6
Investment Property	165 087 542	215 138 314	-4 029 397	211 108 917	46 021 375	22%	7
Long-term Receivables - Exchange Transactions	33 754 038	81 481 530	13 176 971	94 658 501	41 514 672	44%	8
Long-term Receivables - Non-exchange Transactions	19 389 791		0				
Current Assets	6 767 110 039	5 413 199 638	(10 205 039)	5 402 994 599			
Inventory	154 015 248	198 054 430	-38 398 657	159 655 773	5 640 525	4%	
Trade Receivables - Exchange Transactions	1 908 793 060	2 293 086 838	-71 141 981	2 221 944 857	(80 212 225)	-4%	9
Trade Receivables - Non-exchange Transactions	393 364 022	0	0	0			
Other Receivables - Non-exchange Transactions	0	0	0	0			
Other Receivables - Exchange Transactions	1 090 562 828	423 858 710	0	423 858 710	(666 704 118)	-157%	10
Call Deposits and Investments	2 309 903 834	2 295 787 894	99 335 599	2 395 123 493	85 219 659	4%	11
Call Deposits and Investments - Other	2 411 766	2 411 766	0	2 411 766	0		
Bank Balances and Cash	908 059 281	200 000 000	0	200 000 000	(708 059 281)	-354%	12
Total Assets	24 635 252 532	25 263 872 618	-849 322 801	24 414 549 817			

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUES)							
MUNICIPALITY	Actual 2020 R	Approved Original Budget 2020 R	Adjustments 2020 R	Approved Final Budget 2020 R	Variance between Final Budget and Actual 2020 R	%	No.
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts from ratepayers, government and other	9 375 740 898	11 328 229 738	-637 354 429	10 690 875 309			
- Sale of goods and services, fines and taxes levied	6 806 634 722	8 117 011 360	-694 018 193	7 422 993 167	616 358 445	8%	1
- Grants	2 337 322 610	3 100 425 918	7 962 134	3 108 388 052	771 065 442	25%	2
- Interest received	231 783 566	110 792 460	48 701 630	159 494 090	(72 289 476)	-45%	3
Cash paid to suppliers and employees	(8 433 659 914)	(9 680 775 493)	99 931 108	(9 580 844 385)			
- Employee Costs	(3 296 715 846)	(3 476 742 000)	0	(3 476 742 000)	(180 026 154)	5%	4
- Suppliers	(5 008 948 292)	(6 030 672 913)	65 932 168	(5 964 740 745)	(955 792 453)	16%	5
- Finance Cost	(127 995 776)	(173 360 580)	33 998 940	(139 361 640)	(11 365 864)	8%	
CASH GENERATED FROM OPERATIONS	942 080 984	1 647 454 245	-537 423 321	1 110 030 924			
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of PPE	(831 031 214)	(1 830 853 784)	233 380 248	(1 597 473 536)	(765 063 021)	48%	6
Purchase of Intangible assets	(1 379 301)	0	0				
Purchase of Investment Property	0	0	0				
Purchase of Heritage Assets	(1 063 855)	0	0		1 063 855		
Increase in Other Non-Current Receivables	0	-14 219 219	1 042 248	(13 176 971)	(13 176 971)	0%	
NET CASH FLOW FROM INVESTING ACTIVITIES	(833 474 370)	(1 845 073 003)	234 422 496	(1 610 650 507)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase in Consumer Deposits	0	16 916 025	-24 923 471	-8 007 446	(8 007 446)		
Repayment of Non-current Liabilities (external loan funding)	(89 658 501)	(192 981 720)	97 870 985	(95 110 735)	(5 452 234)	6%	
Increase in Borrowings	0	286 370 000	-286 370 000	0	0		
NET CASH FLOW FROM FINANCING ACTIVITIES	(89 658 501)	110 304 305	(213 422 486)	(103 118 181)			
NET CHANGE IN CASH AND CASH EQUIVALENTS	18 948 113	-87 314 453	-516 423 311	-603 737 764			
Cash and cash equivalents at the beginning of the year	3 199 015 002	2 585 514 113	615 758 910	3 201 273 023	2 258 021	0%	
Cash and cash equivalents at the end of the year	3 217 963 115	2 498 199 660	99 335 599	2 597 535 259			

Refer to Note 57 of the Financial Statements for explanation of variances

57 EXPLANATION FOR VARIANCES:

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2019 as approved by National Treasury.

The Original Budget was approved on 30 May 2019 for the 2019/20 financial year (01 July 2019 to 30 June 2020), and the Final Budget was approved on 29 June 2020.

NMBM uses the accrual basis of accounting for its Budget.

The reconciliation of the Original approved Budget and Final Adjustment Budget and Actual amounts are shown on the face of the Statement of Financial Position and Statement of Cash Flows, with the reasons in variances explained below.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

57 EXPLANATION FOR VARIANCES CONTINUED:

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

57.1 ACTUAL VERSUS APPROVED FINAL ADJUSTMENT BUDGET (STATEMENT OF FINANCIAL POSITION)

Explanations of Significant Variances and those greater than 10% versus Budget - The 10% threshold was considered to be the best indicator to meet performance.

- 1 **Total Accumulated Funds**
The accumulated funds variance is affected by all the other variances and their explanations are given below.
- 2 **Non-current Provisions - Employee Benefits**
These provisions are calculated by experts, of which various factors are taken into account to determine the valuation. Refer Note 47

Non-current Provisions - Other
These provisions are calculated by experts, of which various factors are taken into account to determine the valuation.
- 3 **Current Provisions - Employee Benefits**
These provisions are calculated by experts, of which various factors are taken into account to determine the valuation. Refer Note 47
- 4 **Trade and Other Payables**
Due to the underspending of the capital budget.
- 5 **Property, Plant and Equipment (PPE)**
Refer to Note 54, which gives a breakdown of the under-expenditure as a result of COVID-19, various projects
- 6 **Intangible Assets**
The budget for Intangibles Assets did not include the impairment of certain assets, which were written out of the books.
- 7 **Investment Property**
Reclassification of Investment Property to PPE.
- 8 **Long-term Receivables**
The variance is as a result of consumers defaulting during the COVID-19 period, with the billing system automatically cancelling arrangements when the consumers default.
- 9 **Trade Receivables - Exchange Transactions and Non-Exchange Transactions**
The Trade Receivables - Exchange and Non-Exchange is budgeted as one and thus included with the R2.221 billion budget.
Refer Note 15 of the AFS - there is a significant increase in residential consumer debt. Due to the increase in tariffs and also as a result of water restrictions which caused the debt to increase resulting in non-payment of outstanding debt by consumers.
- 10 **Other Receivables - Exchange Transactions**
The increase in Other Receivables is due to accruals being raised for outstanding grants not yet received from NT in the amount of R753.8 million - refer note 16 for a breakdown of the grants.
- 11 **Call deposits and Investments**
The decrease is due to less money being invested over the COVID-19 period.
- 12 **Bank Balances and Cash**
The increase is due to less funds being invested over the COVID 19 period.

57.2 ACTUAL VERSUS APPROVED FINAL ADJUSTMENT BUDGET (STATEMENT OF CASH FLOWS)

Explanations of Significant Variances and those greater than 10% versus Budget - The 10% threshold was considered to be the best indicator to meet performance.

- 1 **Sale of goods and services, fines and taxes levied**
Refer to Notes 21.1 and 23.2 in the AFS. Reduction is mainly related to the Sale of Electricity and Other Revenue.
- 2 **Grants**
The reduction is due to outstanding grants in the amount of R753.8 million not yet received from NT.
- 3 **Interest received**
Interest increased due to strict cashflow management.
- 4 **Employee Costs**
Less than anticipated.
- 5 **Cash paid to Suppliers**
Due to underspending of the Operating and Capital Budgets.
- 6 **Purchase of Intangibles Assets, Investment Property, Heritage Assets**
Due to underspending of the Capital Budget.

**Appendix A - Unaudited
ECONOMIC ENTITY'S
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020**

2019	Actual	2019	2019		2020	Actual	2020	2020
Income	Expenditure		Surplus/ (Deficit)		Income	Expenditure	Actual	Surplus/ (Deficit)
13 937 247	265 130 676	(251 193 429)	Executive and Council	56 210 209	312 315 738	(256 105 529)		
3 333 659 809	885 714 413	2 447 945 396	Budget and Treasury	3 461 150 804	795 063 921	2 666 086 883		
20 065 589	374 542 822	(354 477 233)	Corporate Services	13 064 141	389 523 419	(376 459 278)		
409 110 028	657 349 366	(248 239 338)	Public Health	461 158 536	719 270 402	(258 111 866)		
217 030 209	218 265 429	(1 235 220)	Human Settlements	65 902 225	202 224 365	(136 322 140)		
441 070 327	915 117 982	(474 047 655)	Safety and Security	562 056 873	911 676 253	(349 619 380)		
399 623 489	866 881 099	(467 257 610)	Infrastructure and Engineering - R & G	204 650 737	830 585 095	(625 934 358)		
1 417 699 099	1 013 922 592	403 776 507	Water	1 600 618 528	1 191 490 605	409 127 923		
3 913 842 685	3 781 406 388	132 436 297	Electricity and Energy	3 928 160 664	4 101 323 903	(173 163 239)		
117 033 264	198 449 560	(81 416 296)	Economic Development, Tourism and Agriculture	135 750 997	113 889 155	21 861 842		
32 656 308	401 804 126	(369 147 818)	Sports, Recreation, Arts and Culture	21 525 275	385 461 088	(363 935 813)		
1 016 324 299	542 651 709	473 672 590	Sanitation	1 070 315 414	617 521 124	452 794 290		
19 939 591	49 060 450	(29 120 859)	NMBM Stadium	43 471 640	64 722 474	(21 250 834)		
7 075 252	8 806 391	(1 731 139)	Special Projects	13 952 690	10 220 587	3 732 103		
11 359 067 196	10 179 103 003	1 179 964 193	Total	11 637 988 733	10 645 288 129	992 700 604		
Controlled Entities								
153 273 371	146 233 378	7 039 993	Mandela Bay Development Agency	166 138 461	164 098 464	2 039 997		
153 273 371	146 233 378	7 039 993	Total Controlled Entities	166 138 461	164 098 464	2 039 997		
(146 559 881)	(146 559 881)	-	Less: Intercompany charges	(136 361 879)	(136 361 879)	-		
11 365 780 686	10 178 776 500	1 187 004 186	Total: Economic Entity before taxation	11 667 765 315	10 673 024 714	994 740 601		
-	-	-	Taxation	-	-	-		
11 365 780 686	10 178 776 500	1 187 004 186	Total	11 667 765 315	10 673 024 714	994 740 601		

**Appendix B
ECONOMIC ENTITY**

DISCLOSURES OF CONDITIONAL GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2020

Name of Grants	Name of Organ of State	Quarterly Receipts				Total Funds Received	Quarterly Expenditure					Reasons for Delay	Did Municipality comply with grant conditions
		July-Sept	Oct-Dec	Jan- Mar	April-June		July-Sept	Oct-Dec	Jan- Mar	April-June	Total Spent		
Financial Management Grant	NT	1 000 000	-	-	-	1 000 000	142 601	176 229	153 981	527 189	1 000 000	N / A	Yes
National Electrification Programme	DME		-			-					-	N / A	Yes
Urban Settlement Development Grant	DPLG	243 921 000	341 490 000			585 411 000	77 141 435	156 560 084	119 725 160	318 264 527	671 691 206	N / A	Yes
Transport or PTIS	NT	138 134 000	61 846 000			199 980 000	22 546 033	34 886 084	26 598 420	35 584 556	119 615 092	N / A	Yes
Neighbourhood Development Partnership Grant	NT	5 000 000	10 000 000			15 000 000		5 990 143	2 186 504	3 738 348.73	11 914 995	N / A	Yes
Expanded Public Works Programme Intergrated Grant	NT	2 238 000	4 028 000	2 684 000		8 950 000	-77 790	3 168 041	2 926 484	4 030 518	10 047 253	N / A	Yes
Infrastructure Skill Development Grant	NT	4 500 000		5 000 000		9 500 000	3 219 048	1 280 952	2 733 102	2 266 898	9 500 000	N / A	Yes
Intergrated City Development Grant	NT	6 349 000	6 348 000			12 697 000	298 129	1 489 313	2 309 361	8 248 931	12 345 735	N / A	Yes
Disaster Relief Grant	NT	-	-	-	-	-			6 833 954	12 782 476	19 616 430	N / A	Yes

**Appendix C - Unaudited
ECONOMIC ENTITY
TOTAL ACCUMULATED FUNDS FOR THE YEAR ENDED 30 JUNE 2020**

TOTAL ACCUMULATED FUNDS	2020 R	2019 R
Made up as follows:		
Capital Replacement Reserve	227 353 908	45 047 783
Government Grant Reserve	10 446 421 817	9 815 969 483
Donations and Public Contributions Reserves	461 183 174	448 968 182
Self-Insurance Reserve	85 600 224	60 000 000
COVID Reserve	46 521 089	41 321 868
Accumulated Surplus	6 952 576 456	6 817 360 328
	18 219 656 668	17 228 667 644